S7700-1

STATE BOARD OF INSURANCE

ANNUAL REPORT

For the Year Ending August 31, 1988

EDWIN J. SMITH JR.
Chairman of the Board

DAVID H. THORNBERRY
Member

JAMES L. NELSON
Member

A. W. POGUE
Acting for
Commissioner of Insurance

STATE BOARD OF INSURANCE

1110 SAN JACINTO AUSTIN, TEXAS 78701-1998

EDWIN J. SMITH, JR., Chairman
DAVID H. THORNBERRY, Member
JAMES L. NELSON, Member

DOYCE R. LEE, Commissioner
ERNEST A. EMERSON, Fire Marshal
NICHOLAS MURPHY, Chief Clerk

December 9, 1988

The Honorable William P. Clements, Jr.
Governor of Texas
Capitol Building, Room 200
Austin, Texas 78701

Dear Governor Clements:

This report is submitted in compliance with Section 51, Article V, Senate Bill 1, Acts of the 70th Texas Legislature, Second Called Session, 1987 (General Appropriations Act); Section 12, Article 1.10, Texas Insurance Code; and Section b, Article 1.25, Texas Insurance Code.

Copies of this report are being filed simultaneously with the State Auditor, Legislative Budget Board, Comptroller of Public Accounts, Legislative Reference Library and State Library. Members of the Legislature will be notified of the availability of the report as required in Section b, Article 1.25, Texas Insurance Code. The State Auditor has not audited the accompanying annual financial report and, therefore, has not expressed an opinion on the financial statements and related information contained in this report.

If you have questions regarding the contents of this report or affairs of the State Board of Insurance, we will be happy to respond.

Edwin J. Smith, Jr., Chairman

David H. Thornberry, Member

James L. Nelson, Member

A. W. Pogue, Acting for the
Commissioner of Insurance

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PART I: REPORTS OF PROGRAM ACTIVITY

Introduction

This section of the State Board of Insurance 113th Annual Report gives a brief summary of major activity of agency programs and divisions during Fiscal Year 1988. It follows the organizational pattern adopted by the Board effective June 1, 1988. Although subsequent refinements and adjustments to the agency organizational pattern occurred, this report reflects the structure of agency as it existed at the close of the fiscal year (August 31, 1988).

BOARD OFFICES

The State Board of Insurance (SBI) is composed of three full-time members appointed by the Governor and serving nonconsecutive six-year terms. The Board determines agency policy, makes rules, promulgates or approves rates for most property/casualty lines of insurance, hears appeals from rulings of the Commissioner or State Fire Marshal and carries out other responsibilities as directed by the Texas Insurance Code and other applicable statutes.

Figure 1. Summary of Activity - Board Offices

	FY 87	FY 88
Board Meetings	61	94
Public Hearings	26	34
Board Orders	1,996	1,908
Public Information Presentations (Hours)	307	506
Rate Filings	25	36

CHIEF CLERK

Article 1.08, Tex. Ins. Code states that the Chief Clerk shall have the responsibility of keeping and maintaining all records and proceedings of the Board. In fulfilling duties and responsibilities for the supervision and maintenance of records of all official actions of the Board, the Chief Clerk supervises and is ultimately responsible for the following: (a) maintaining all records and proceedings of the Board; (b) properly posting Board meetings and hearings; (c) giving official or informal notice to parties and persons of Board hearings and meetings; and (d) filing rules and rule changes with the Secretary of State.

The Chief Clerk's responsibilities include:

- Performing legal research and providing the Board with advice on legal and technical problems, with particular emphasis on rulemaking.
- Conducting an ongoing review of the agency's rules and rulemaking procedure.
- Drafting opinion requests, legal briefs and other correspondence.
- Occasionally assisting the Attorney General with cases.
- Assisting in the drafting and editing of proposed legislation.
- Performing other legal work, including attending hearings and meetings.

GENERAL COUNSEL

The General Counsel serves as legal advisor to the Board, attending all Board meetings and hearings and providing legal advice and research directly to the Board. She advises the Board on issues such as ratemaking, appeals from the Commissioner and Fire Marshal, proposals from the insurance industry and the public.

The General Counsel provides support and direction to the Attorney General with respect to Board-related litigation. Preparing briefs and correspondence explaining insurance issues, the General Counsel also assists with interaction between the Board and other government officers and administrative agencies. She monitors federal and other states' legislation and litigation recommending Board response when appropriate.

Drafting, reviewing, and recommending legislation respecting certain topics, the General Counsel advises the Board on the need for legislation and the impact that the passage of a bill would have. She sometimes serves as a Board representative by testifying before the Legislature as a resource witness. In addition, she works with representatives of other states in drafting model laws that may be proposed in Texas to help achieve uniformity in state regulation of insurance.

The General Counsel assists the Commissioner's staff in interpreting Board regulations and decisions for implementation and also serves as the Board representative on agency committees developing administrative legal policy and procedures.

STATISTICAL AND RATE DEVELOPMENT

The Statistical and Rate Development activity consists of three divisions:

Property/Casualty Actuarial: This division is responsible for preparing recommendations and advising the Board concerning rate levels for all regulated property/casualty coverages. Five hearings on promulgated lines were held during the fiscal year. In addition, this division processed 36 company rate filings, primarily for medical professional liability coverage.

Figure 2. Hearings on Promulgated Rates – Fiscal Year 1988

	Public Hearing Date	Effective Date of Rate Revision
Workers' Compensation	10/27/87	01/01/88
Commercial Automobile	11/17/87	05/01/88
Title	12/17/87	03/21/88
Private Passenger Automobile	01/28/88	05/01/88
Commercial Property	06/01/88	11/01/88

This division is also responsible for collection and analysis of property/casualty ratemaking data and for publication of statistical reports.

Figure 3. Rate Development Statistical Reports Processed

	FY 87	FY 88
Title Insurance Agents	597	567
Title Insurance Underwriters	20	16
Annual Statement Page 14	968	963
Insurance Expense Exhibits	664	681
Product Liability Expense Exhibit	237	237

Base Rate Division: This division is responsible for collecting and auditing some 310,000 unit statistical reports filed by workers' compensation insurers. A separate report containing very detailed payroll, premium, loss and claim information is received annually for each workers' compensation policy. This information is used by the Statistical and Rate Development activity in the calculation of workers' compensation manual rates and by the Workers' Compensation division in the calculation of experience rating modifiers.

Closed Claim/Financial Data Division: This is the newest division in the activity. It was established to assure compliance with S.B. 2, Acts of the 70th Legislature, 1st Called Session. That act requires

the Board to collect and compile closed claim and financial data to be filed under Articles 1.24A and 1.24B, Tex. Ins. Code. The closed claim reports (filed under Article 1.24B) give detailed information on the final disposition of Texas claims for general and professional liability, commercial auto liability and the liability portion of commercial multi-peril. Working with technicians and data specialists, the division developed reporting forms, computer programs and instructions for the reports which began to arrive in the SBI offices April 10, 1988. More than 4,800 Texas commercial liability closed claim reports had been received at the close of the fiscal year. The first annual compilation of these reports will be issued by the Board on April 1, 1989.

INFORMATION SERVICES

This activity furnishes a wide variety of information services to the agency and the public. Information Services maintains contacts with the trade press and Texas news media to notify them of Board action and to answer questions; provides staff support to members of the Board relating to the National Association of Insurance Commissioners (NAIC); conducts research as assigned; prepares articles and speeches for presentation to public, industry and regulatory forums; researches, drafts, designs and edits consumer-oriented material; and writes, typesets and edits the agency's monthly newsletter for employees, *The Bulletin Board.*

In Fiscal Year 1988, Information Services and the Data Processing activity developed a system for distributing "Electronic Bulletins" to managers and staff members. The bulletins, issued over the PROFS system to all users, give the Board and Commissioner the ability to communicate instantly with managers and employees.

This activity worked closely with the Joint Select Committee on Workers' Compensation Insurance, Select Committee on Tax Equity, Commission on Health Care Reimbursement Alternatives, Legislative Task Force on AIDS and House Committee on Retirement and Aging, subcommittee on celebrity television advertisements to coordinate testimony and supply information needed in these studies.

In response to a request from the Legislative Task Force on AIDS, Information Services conducted a 30-question survey of health insurers and health maintenance organizations to determine underwriting practices and claims experience with respect to persons with AIDS. Results of the survey were published in a report titled *Health Insurance Coverage of AIDS - A Survey of Texas Health Insurers and Health Maintenance Organizations.* The division also prepared a report, *Background on Accident and Health Insurance in Texas,* as part of its work with the task force.

In cooperation with the Department of Human Services, the activity also published a report based on a survey of employers, health maintenance organizations and insurers on group accident and health benefits titled *Group Health Benefits in Texas - A Comparative Study.*

Other projects related to health insurance benefits included:

- A survey of large group insurers on coverage of special dietary preparations used in the treatment of phylketonurea (PKU).
- Initiation of studies for the Legislature and the NAIC concerning coverage of alcohol dependency.
- A survey of insurers on the provisions and premiums of long-term care and nursing home policies for use in a consumer guide to be published by the SBI.
- Participation in a multi-agency resource planning team for health care delivery in Fisher County.

Besides these studies, publications and projects, Information Services also wrote three articles for the *Journal of Insurance Regulation* summarizing the SBI's report, *The Long-Term Care Dilemma.* The activity served as the liaison with the Long-Term Care Coordinating Council for the Elderly and served as a source of information on regulation of continuing care retirement communities.

A major new duty given to the SBI by S.B. 2, Acts of the 70th Legislature, 1st Called Session, is collecting and compiling data on commercial liability insurance closed claims. Information Services staff participated in designing the formats for both financial reporting and closed-claims reporting

mandated by S.B. 2. The activity's data processing staff also developed an automated approach for the assembly and printing of fiscal notes requested by the Legislative Budget Board; the planning of a computerized index of Board Orders; and planning for the automation of both the *Texas Insurance Code* and the *Texas Administrative Code*.

The activity was responsible for developing investment income calculations used by the Statistical and Rate Development staff in recommending profit factors for automobile, property, workers' compensation, title and general liability rate cases.

Information Services, which coordinated the Board's Commercial Liability Market Assistance Program (CL-MAP), surveyed all CL-MAP applicants to develop demographic data on participants and the affect of liability market constrictions on their business. Because no further requests for assistance under this program were being received from the public, the CL-MAP was dissolved and further data collection responsibilities transferred to General Liability (B.O. 53072, 53071) on July 6, 1988.

The Board designated Information Services to coordinate staff support of the SBI's Citizens Working Group on Medicare Supplement Insurance, which was created at the end of Fiscal Year 1987. Information Services issued three news releases to more than 550 Texas newspapers, providing information to consumers concerning this line of insurance. A 28-page Medicare Supplement consumer brochure titled *Medicare Supplement Insurance - A Guide for Texas Consumers* was developed with plans for statewide distribution in Fiscal Year 1989. Work began on television and radio public service announcements related to the effect of the new Medicare Catastrophic Care Act of 1988 on supplement insurance policies. Information Services convened two meetings of the working group during the year and kept members informed of SBI activities by means of telephone calls and letters.

COMMISSIONER'S OFFICE

The Commissioner of Insurance is appointed by the Board as the agency's chief executive and administrative officer. The Commissioner has primary responsibility for enforcing the Texas Insurance Code and rules and regulations promulgated by the Board.

Figure 4. Summary of Activity - Commissioner's Office

	FY 87	FY 88
Commissioner's Orders/Actions	1,503	3,303
Commissioner's Conferences	1,254	914
Number of Receiverships*	108	131
Companies in Supervision/Conservatorship	69	33
Commissioner's Hearings	557	834

** These include domestic insurers, ancillary receiverships of foreign insurers, insurance agencies, title agents, title insurers and unauthorized insurers.*

STATUTORY IMPLEMENTATION

The Statutory Implementation activity was created in the agency reorganization of June 1, 1988.

Statutory Implementation functions as the agency clearing-house for legislative responsibilities. Major duties of this section include review and analysis of all insurance-related legislation, preparation of fiscal notes and coordination of testimony and information relative to legislative recommendations made by the Board as required by Article 1.25(a), Tex. Ins. Code.

In addition to coordinating and preparing the required report, Statutory Implementation serves as staff liaison to the Legislature. Statutory Implementation tracks and responds to legislative inquiries.

The section monitors the agency-wide efforts to assure that the SBI follows all legislative directives. Statutory Implementation is responsible for maintaining and updating a report on progress made in implementing insurance-related laws enacted by each session of the Legislature.

Members of the section's staff were responsible for assembling and indexing all insurance-related laws passed by the 70th Legislature into a three-volume publication that is available to the general public.

INTERNAL AUDIT

The Internal Audit activity was created in compliance with Rider No. 8 of the State Board of Insurance appropriation in S.B. 1, Acts of the 70th Legislature, 2nd Called Session.

A major effort during the fiscal year was the assembling of a qualified staff consisting of four management auditors, two data processing specialists and one administrative technician.

Another aspect of laying a proper foundation for Internal Audit's future activities was adoption of a charter outlining the authority and functions of the Internal Auditor. The charter specifies that the internal auditor must have "full, free and unrestricted access" to all SBI personnel, property and records - both manual and electronic - that are relevant to any subject under review. Results of internal audit reviews are reported to the Board, the Commissioner and appropriate managers and deputy commissioners. The charter requires the Internal Auditor to make a report to the Board members at least quarterly on the status of significant audit findings and review internal audit plans.

During Fiscal Year 1988, the Internal Auditor undertook 34 separate projects or investigations in addition to serving as the agency's liaison with the State Auditor. The Internal Auditor is responsible for following up on recommendations of the State Auditor to see that they are implemented and/or to suggest alternative courses of action.

A major project initiated during the fiscal year addresses agency handling of cash receipts by the SBI. This involves an agencywide review of how funds are held, cleared from suspense and deposited in the State Treasury. It includes a complete analysis of all automated functions connected with the handling of money. The objective is to eliminate any duplication of records and effort, to simplify the process and to move funds into the state treasury more quickly.

During Fiscal Year 1988, the Internal Auditor began a "risk analysis" of the SBI to help set priorities for the use of Internal Audit's resources.

HEARINGS

The Hearings activity conducts hearings for the Commissioner and State Fire Marshal in all contested cases filed under the Administrative Procedure and Texas Register Act, as well as specific cases for the Board.

During Fiscal Year 1988, additional staffing enabled the section to increase the number of hearings held by almost 28 percent and to reduce substantially the time between the close of a hearing and the issuance of a final order.

All of the Commissioner's hearings are electronically recorded. Hearings reporters stenographically reported and transcribed 125 Commissioner's hearings, 47 Board hearings and one Fire Marshal's hearing. In all, 17,484 pages of testimony were transcribed, a 22 percent increase over Fiscal Year 1987. The average time between the close of a hearing and the issuance of a final order decreased 44 percent in Fiscal Year 1988.

Figure 5. Commissioner's Hearings by Type - Fiscal Year 1988

Disciplinary	363
License Applications	174
Applications for Certificates of Authority	24
Charter Amendments	86
Acquisitions	75
Merger and Reinsurance	23
Application for Exempt Filing	18
Supervision	66
Home Office Re-Evaluation	3
Application to Withdraw State Deposit	2
TOTAL	834

Figure 6. Summary of Activity - Hearings

	FY 87	FY 88
Hearings Conducted for the Commissioner	557	834
Hearings Conducted for the Board	41	26
Hearings Conducted for the Fire Marshal	54	2
Total Hearings Conducted	652	862
Commissioner's Hearings Transcribed	95	125
Board Hearings Transcribed	37	47
Fire Marshal's Hearings Transcribed	4	1
Pages Transcribed	14,346	17,484

The Hearings activity maintains docket sheets and case files, including all exhibits introduced at the hearings, for each case heard. Cross indexes provide access to information on each case. Transcripts also are filed and are available for inspection by the public.

ADMINISTRATIVE SERVICES

To a great extent, the efficiency, effectiveness and economy with which other divisions of the agency are able to deliver services, depends on the support they get from technicians and specialists in the Administrative Services program. Budget, personnel, records management, accounting, staff development, data processing and purchasing are all vital components of the administrative support group. In addition, this group houses the agency's centralized tax collection function.

BUDGET AND PLANNING

Prior to Fiscal Year 1988, development and production of the SBI biennial budget request was handled in various parts of the agency with final coordination through the Board and Commissioner's staff. As the agency and demands for accountability and documentation to support budget requests grew, it became apparent that the SBI would benefit from a consolidated budget activity. Creation of an independent budget group allowed for cross program coordination of requests and a greater degree of monitoring and analysis that was possible in past years. The process was augmented by introduction of a new data processing budget system (BOSS or "Budget On-Line Support System"). The system was new to managers and technicians in the agency, which meant the budget staff conducted pilot testing and assisted the Data Processing staff in training and implementation.

In addition to preparation of the biennial appropriations request filed with the Governor's Budget Office and Legislative Budget Board, this division is responsible for preparation of the annual SBI operating budget, monthly expenditure projections for fiscal planning and semi-annual agency performance reports required to be filed with the Legislative Budget Office. Special assignments in Fiscal Year 1988 included two agencywide surveys and centralization of a budget projection process developed on personal computer software for agencywide use. Activity specialists also worked with agency staff to develop and define revised workload measures and performance standards as part of the Fiscal Years 1990-1991 legislative appropriations request.

STAFF DEVELOPMENT

Another new division within the Board is that of Staff Development. For decades the SBI has relied on the expertise and knowledge of technicians accumulated over years of state service to perform the specialized tasks required of state insurance regulation. However, much of this institutional memory was lost in 1986 and 1987 when 30 veteran employees took advantage of the state early retirement program. This sudden loss of hundreds years of experience, and the influx of new personnel as the result of increased funding of agency programs in Fiscal Year 1988, caused the Board to reevaluate its staff development efforts.

A survey of agency training efforts found that many divisions, such as Examinations, Data Processing and Legal make wide use of outside seminars and professional conferences. In addition, an average of 66 employees a year have taken advantage of in-house college credit courses in insurance, accounting, business law and related subjects offered through an agreement with Austin Community College. However, the agency has lacked a centralized long range training and development plan that specifies the purpose, content, and expected results of employee training experiences.

This need resulted in creation of the Staff Development division which prepared and submitted a staff development long range plan for Board consideration. The plan sets out goals and addresses the areas of training most needed to improve the quality and effectiveness of insurance regulation in Texas. Proposed objectives for the first year of the program include training in management, oral and written communications, fundamentals of insurance regulation, improved computer literacy as well as development of a new-hire orientation program to cover agency functions, organization, purposes and policies.

OPERATING SERVICES

Much of the nuts and bolts administration of the agency is found in the Operating Services activity, including personnel, purchasing, records management, accounting, mail room and print shop. Because of the need for close coordination between accounting and tax collection to assure accurate record keeping and efficient processing of receipts, tax collection functions of the agency, previously found in two separate divisions (Corporate Custodian & Tax and Excess & Surplus Lines) were consolidated into one Tax Collection section.

Accounting and Tax Collection:

Accounting: This section is responsible for the creation and maintenance of agency accounting records for all revenues collected and expenditure vouchers processed. Mailing lists and deposit accounts for publications distributed to the public, insurance departments and agencies in other states, insurance companies, agents and other licensees are also maintained here. Accounting duties include payroll processing, administration of employee benefits, processing expenditure vouchers for salaries, supplies, travel and equipment collection and processing of all cash items received.

With the beginning of Fiscal Year 1988, this section implemented a new on-line accounting system through the State Purchasing and General Services Commission. With this system agency management has the ability to access current financial, expenditure and budget information on-line. Other functions of the Accounting division include fiscal custodian services for securities on deposit with the Board; assistance in preparation of historical financial data for the biennial request for appropriations; preparation and distribution of monthly budget status reports for managers; and calculation of maintenance tax rates and overhead assessment of foreign, domestic and premium finance companies.

Tax Collection: With the creation of the Tax Collection section in June, 1988, the agency was able to consolidate all tax collection responsibilities under one administration to assure uniformity and efficiency of administration. In addition to gross premium taxes, administrative services taxes, retaliatory taxes and maintenance taxes previously collected by Corporate Custodian & Tax, the new division also became responsible for surplus lines, unauthorized insurance, independently procured insurance, risk retention groups and purchasing groups tax collection.

The division audits tax returns; determines validity of investments, correctness of tax rates and tax liabilities; calculates quarterly and annual tax returns and reconciles quarterly tax prepayments; and allocates tax payments to appropriate funds. Tax Collection is also responsible for extending and monitoring certain tax credits and offsets; initiation and maintenance of protest payments data; corresponding with companies concerning discrepancies on tax returns and amounts paid; correlating protest tax information with staff attorneys and representatives of the Office of the Attorney General in tax-related lawsuits and other matters; processing refunds for overpayment of taxes; and coordinating tax information with other states.

Six tax examiners are part of the Tax Collection staff. Their primary job is to audit, examine and analyze tax returns and tax records of insurers in the carriers' office to make sure that the taxes, surtaxes, retaliatory taxes and maintenance taxes due the state have been correctly reported, calculated and paid.

Tax, fee and assessment statutes under the jurisdiction of this section are as follows:

1. Article 4.10, Tex. Ins. Code: Gross premium taxes paid by property/casualty insurers. Taxes are collected on a quarterly basis with balances due with annual tax returns. Collections from this tax are deposited to Fund 001, the General Revenue fund for the State of Texas.

2. Article 4.11, Tex. Ins. Code: Gross premium taxes paid by life, accident & health insurers. Taxes are collected on a quarterly basis with balances due with annual tax returns. Collections from this tax are deposited to Fund 001, the General Revenue fund for the State of Texas.

3. Article 20A.33, Tex. Ins. Code: Taxes on the gross amount of revenues collected for issuance of health maintenance certificates or contracts issued by health maintenance organizations. Taxes are collected in accordance with Article 4.11, Tex. Ins. Code. Collection from this tax are deposited to Fund 001, the General Revenue fund for the State of Texas.

4. Article 4.11A, Tex. Ins. Code: Administrative Services tax on each insurance carrier or person which receives any form of administrative or service fee, consideration, payment, premium fund, reimbursement or compensation for performing or providing any service, function or duty; or acting in any administrative, clerical, management, advisory or technical capacity; or providing any claims or expense review, service administration, management, payment, indemnification or reimbursement with respect to a plan, whether under an administrative services contract to be performed in Texas or on behalf of persons located in Texas or for risk in Texas. The tax is subject to certain limitations, exemptions and exclusions. Collections from this tax are deposited to Fund 001, the General Revenue fund for the State of Texas.

5. Surtax: Articles 4.10 and 4.11, Tex. Ins. Code were amended by H.B. 61, Acts of the 70th Legislature, 2nd Called Session to add a temporary 20 percent surtax to property/casualty and life insurance gross premiums taxes already being collected. Collections from this tax are deposited to Fund 001, the General Revenue fund for the State of Texas.

6. Article 21.46, Tex. Ins. Code: Retaliatory taxes and fees filed with the tax returns of alien or foreign companies licensed to do business in Texas.

7. Article 1.14-1, Tex. Ins. Code: This statute provides for the collection of unauthorized insurance taxes and surtaxes from persons who acquire insurance directly from a carrier not licensed to do business in this state. Corporations affected by this tax file reports with their annual Franchise Tax Report. Collections from this tax are deposited to Fund 001, the General Revenue fund for the State of Texas.

8. Article 1.14-2, Tex. Ins. Code: This statute provides for the collection of taxes and surtaxes on business exported under the state surplus lines statute. Surplus lines agents are responsible for filing these taxes with the Board. Collections from this tax are deposited to Fund 001, the General Revenue fund for the State of Texas.

9. Article 21.54, Tex. Ins. Code: Establishes taxes to be collected on the gross premiums of risk retention groups and purchasing groups. Premium tax revenues under this statute are deposited to Fund 001, the General Revenue fund for the State of Texas.

10. Maintenance Taxes & Fees for the SBI: Eight separate taxes are established to support the operation of the Board (Articles 4.17(e), 5.12, 5.24, 5.49, 5.68, 9.46, 20A.33 and 21.07-5, Tex. Ins. Code). Historically, maintenance taxes to support SBI operations were levied on gross premiums of property/casualty insurers. However, H.B. 2022, Acts of the 70th Legislature, added maintenance taxes on gross premiums of life, accident & health insurance coverages and the gross considerations of annuity and endowment contracts and established a per capita maintenance tax on gross revenues for issuance of health maintenance certificates or contracts. Maintenance taxes to support operations of the SBI are deposited in the SBI Operating Fund 036.

11. Article 8306, V.T.C.S.: This maintenance tax is assessed on gross workers' compensation premiums for the support of the operation of the Industrial Accident Board (IAB).

12. Filing Fees: Certain statutory filing fees are enumerated and remitted with annual tax returns. Maximum fees are found in Articles 4.07 and 20A.32, Tex. Ins. Code and are deposited in the SBI Operating Fund 036 for support of the operations of the Board.

13. Article 1.35B, Tex. Ins. Code: This statute imposes an assessment for the new Division of Consumer Protection. The assessment of 5.7 cents for each property/casualty insurance policy in force at the end of the year is remitted with annual tax returns. It is deposited in a special account of Fund 001, General Revenue Fund, to support the operations of the Division of Consumer Protection.

The work of the Tax Collection division in Fiscal Year 1988 has been affected by the number of lawsuits pending against the state in relation to the gross premium tax collected under Article 4.11, Tex. Ins. Code; the administrative services tax collected under Article 4.11A, Tex. Ins. Code; and the retaliatory tax collected under Article 21.46, Tex. Ins. Code. Pending the outcome of litigation, more than $386 million was shown to have been paid in protest regarding these statutes since 1985. Information on tax collection and other revenues can be found in Part V of this report.

Figure 7. Comparison of Active Maintenance Tax Rates FY 1981 - 1988

Description	Max. Rate Permitted	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
Motor Vehicle Ins.	.2	.022	.026	.027	.029	.024	.028	.019	.058
Fire Ins./Cat Pool	1.25	.333	.456	.357	.478	.458	.463	.523	.406
Compensation Ins.	.6	.214	.180	.168	.259	.229	.303	.361	.180
Casualty Ins.	.4	.075	.118	.108	.152	.075	.068	.027	.207
Title Ins.	1.0	.044	.061	.039	.061	.020	.033	.083	.122
Life Ins.	.04	---	---	---	---	---	---	---	.032
Third Party Administrators	1.0	---	---	---	---	---	---	---	.010
HMO	2.00*	---	---	---	---	---	---	---	$1.10*
Prepaid Legal	1.0	1.00	1.00	1.00	1.00	1.00	1.00	1.00	---

* *Per Enrollee*

Figure 8. Schedule of SBI Maintenance Tax Revenues 1987 - 1988

Maintenance Tax	Maximum Rate	1987 Rate	1987 Revenue	1988 Rate	1988 Revenue*	Difference
Motor Vehicle Ins.	.0020	.00019	$ 1,162,575	.00058	$3,138,466	$ 1,975,891
Fire Ins./Cat Pool	.0125	.00523	15,175,595	.00406	12,092,139	(3,083,456)
Compensation Ins.	.0060	.00361	8,237,776	.00180	4,456,693	(3,781,083)
Casualty Ins.	.0040	.00027	704,115	.00207	3,269,704	2,565,589
Title Ins.	.0010	.00083	369,574	.00122	409,541	39,967
Life Ins.	.0004	------	------	.00032	3,181,037	3,181,037
Third Party Administrators	.0100	------	------	.010000	143,238	143,238
HMO	$2.00*	------	------	$1.10	1,214,223	1,214,223
Prepaid Legal	.0100	.0010	10,327	------	------	(10,327)
TOTALS			$25,659,962		$27,905,041	$ 2,245,079

* *Per Enrollee*
** *Includes 1988 Maintenance Taxes collected 9/15/88.*

Personnel

The impact of the growth in agency staffing was felt most directly by the Personnel division in Fiscal Year 1988 when some 36,000 employment applications were processed for 876 jobs posted to fill vacancies or new positions. In addition, the activity completed about 72,000 employee record transactions and 120 special assignments and projects. Fiscal Year 1988 also saw the expansion of the agency's Equal Opportunity Employment office to make the agency more active in its affirmative action efforts. In addition, Personnel worked to improve procedures and revise and automate employee performance evaluation notification and control procedures; modify the applicant tracking system to create a separate file for all applicant test scores; and establish an automated personnel action approval agenda to streamline the process for authorizations needed for personnel actions.

Staff Services

Within the Staff Services division are five sections that provide many of the day-to-day administrative services needed by the agency.

Purchasing: The Purchasing section is responsible for procuring goods and services for the agency employees. In Fiscal Year 1988, 3,596 purchases were made. In Fiscal Year 1988, this section set up a new system for utilizing small business enterprises in providing more of the agency's goods and services.

Supply/Maintenance/Warehouse: This section is responsible for warehousing and distributing the agency's purchased goods. It also is responsible for conducting the yearly capital assets inventory which, at this time, encompasses 2,390 items worth $10,596,573. This section also handles all of the telephone and office moves requested in the agency and maintenance of the agency's capital equipment and building sites.

Reproduction: This section provided some 8,000,000 impressions in Fiscal Year 1988. Three new presses, a collator and cutter were purchased to replace some of the agency's older machines. A shrink wrap machine was also purchased to provide for easier storage and shipment of printing orders. The reproduction facility also provides art work and typesetting.

Micrographics: The Micrographics Unit provides the various programs of the agency with microfilming-related services. These services involve the conversion and maintenance of active record systems and the archiving of inactive files. Actual tasks performed involved microfilm system design, document preparation, filming, processing, duplicating, jacketing, editing, filing and retrieval. In Fiscal Year 1988, this section filmed more than 2,352,950 pages. The use of microfilm at the agency saved the equivalent of 2,164 cubic feet of office space.

The manager of the Micrographics Section also assists the SBI Records Administrator in implementing the agency's records management program. This involves supporting the record-keeping functions of each area by providing consultation to agency users. In addition, this area is responsible for determining and maintaining sufficient information concerning the identification and quantification of record series so as to support administrative planning and scheduling appropriate retention periods for records of various types. In this regard, this section provided technical support in assessment the optical disk system purchased for Regulated Lines and Licensing.

Mail Distribution Center: The center is responsible for processing all incoming and outgoing mail (postal inter-office, inter-agency, and U.S. Postal Service). The center utilizes zip-plus and presorting to realize postal discounts for the agency and processed more than 500,000 pieces of mail in Fiscal Year 1988.

DATA SERVICES

The Data Services division of the SBI is the center of the agency's automation efforts through long range planning, application development, training, consultation, evaluation of vendor products and maintenance of the agency mainframe and support systems.

Because of reliance on the mainframe in virtually every major regulatory function in the agency, the speed, efficiency and reliability of the central computer has a tremendous impact on agency performance. The mainframe and other peripherals installed in late 1984 have been operating at near peak capacity since Spring, 1988 resulting in degradation of response time and delayed deadlines and projects due to poor "turn-around" time. The problems are further exacerbated by the unparalleled growth in agency responsibility and staff in Fiscal Year 1988. In spite of streamlining of every possible area within the current configuration, the machine cannot be made to meet agency needs. Adequate computer capacity is critical in light of growth in current applications, development of programs to support added legislative authority and advancement toward the goals and needs identified in the Business Systems Plan Extended (BSPX) Final Report completed in Fiscal Year 1987.

One of the highest priorities identified in the BSPX final report was development of a financial monitoring and early warning system to assist the agency in oversight of the solvency of the more than 2,200 licensed insurers operating in Texas, the second largest number of admitted carriers of any state. The early warning system will build on progress made in the past two years to speed up financial data analysis through submission of annual statement reports on micro computer diskettes. Programming associated with this procedure permits sophisticated analysis of the financial data and production of reporting from key data checks.

Major accomplishments of Data Services in Fiscal Year 1988 include the following:

1. Upgrading of the Fire Rate dial lines to handle additional calls and improve response time from an average of 55 seconds per call to 16 seconds per call. Additional lines are planned for Fiscal Year 1989.

2. Providing agencywide support to an ever-increasing number of CICS users. Inquiries to CICS data files increased from an average of 47,000 per month to 86,000 per month.

3. Continuing to work on a pilot project to allow filing of workers' compensation statistical reports on tape. Four insurers have met all test requirements and filed 9,000 cards electronically. In Fiscal Year 1989, it is estimated that 30,000 cards will be received electronically.

4. Providing service to the growing number of active users of the PROFS and Information Center products. The number of users has grown from 394 in Fiscal Year 1987 to 620 in Fiscal Year 1988 and the number participating in training classes grew from 336 in Fiscal Year 1987 to 438 in the first six months of Fiscal Year 1988.

5. Implementing the first phase of liability insurance closed claim reporting under requirements of S.B. 2, Acts of the 70th Legislature, 1st Called Session. The forms submitted by companies are entered into a mainframe data base that uses program languages which provide flexibility in ad hoc reporting, as required by statute.

REGULATED LINES AND LICENSING

Clearly, one of the largest and most visible programs in the agency is the group of functions that fall under the umbrella called Regulated Lines and Licensing. This program, which is home to about one third of the employees of the agency, has front line jurisdiction for most of the statutory filings processed by the Board, from annuity policies to automobile consent-to-rate forms. The types of licensees are as diverse as retirement communities and corporate risk managers and the responsibilities as varied as amusement ride inspections and auditing of premium finance companies.

Because of the volume of paper to be processed, this program has been approved for a state-of-the-art image processing system that, once installed, is expected to reduce turn around time and improve service for everything from workers' compensation policy files to agent's license renewals. For example, the system will allow optical scanning of some 310,000 workers' compensation files which today require about 12 full time file clerks to maintain and some 2400 square feet of prime office space to house. Once scanned the original paper documents can be destroyed. When inquiries are received from the public the "files" will be available electronically at technician workstations. Some day, key data fields from the files will be entered into the workers' compensation data base electronically from the scanned documents, reducing error and improving service to the public. The system will be the foundation of an automated workers' compensation policy review function long envisioned by the Board. In addition to the workers' compensation division, which was the first to see the value of the system, the fully implemented system will be used in agents licensing, loss control, automobile and general liability, all divisions with historic paper management problems.

Purchase of the system, which was approved by the Automated Information and Telecommunications Council in July, is expected to come on-line by March of 1989. At an anticipated cost of about $1.7 million, the system is expected to save $3.4 million over a five year period.

LIFE GROUP

The Life Group is responsible for the review and analysis of all new and revised life, annuity, credit and accident & health policy forms offered for sale by licensed insurers in Texas. The purpose of the review is to determine whether the forms comply with Texas law and Board rules. That means all of the policy language has to be reviewed and compared with legal requirements mandating minimum standards and minimum provisions. After the review by technicians, recommendations are made to approve or disapprove forms. Sometimes, companies are given the opportunity to resubmit portions of the policies to correct deficiencies. For most benefits, resubmission can occur in the form of a policy endorsement to avoid the necessity of reprinting the entire package of proposed contracts. Because the industry and public demand a large variety of products and companies need to be able to bring new offerings into the marketplace quickly to respond to changing conditions or competitive forces, the speed with which the review of policies takes place is constantly monitored. The average length of time necessary to review a form for each of the major divisions of the Life Group is shown on the following chart:

Figure 9. Average Length of Time for Form Review*

	FY 87	FY 88
Individual Life	45 days	34 days
Group Life and A&H	55 days	38 days
Individual A&H	21 days	21 days
Credit Life	21 days	15 days

** Reflects time from receipt of form in Life Group to time of approval, disapproval, notification to company of deficiencies in form or request for additional information.*

The time periods reflected in this chart are the number of days a particular form is actually in the hands of policy approval analysts, the only period which can be measured by the Board. In spite of marked improvements between the two fiscal years, the division is still looking for ways to speed up processing without sacrificing the quality of the review. Because the lag time increases significantly when companies are asked to resubmit policies to correct deficiencies, the division made plans in Fiscal Year 1988 to streamline filing requirements and develop detailed instructions to assist companies in compliance. The work is expected to be completed in early Fiscal Year 1989. The division is also looking at the possibility of installing a facsimile machine to transmit copies of corrected endorsements, mathematical demonstrations and correspondence electronically over telephone wires.

Reducing turn-around-time is particularly important in light of the ever growing number of forms submitted for approval and the increasing complexity of legal requirements as well as the content and terms of contracts offered for sale.

The increasing legal complexity can be seen in the following sampling of laws affecting life and A&H products passed by the 70th Legislature, all of which had to be implemented or addressed in Fiscal Year 1988: H.B. 802, certification of disability by a podiatrist; H.B. 925, benefits provided by a licensed dietician; H.B. 177, benefits provided by certain social workers; S.B. 879 and 878, definitions in group insurance; S.B. 263, benefits for home health services; S.B. 976, definition of emergency care; H.B. 843, benefits for *in vitro* fertilization; and S.B. 1371, standards for long term care policies and benefits for low dose mammography screening. All licensed insurers and nonprofit hospital service corporations were notified of these and other changes in law in a bulletin issued November 25, 1987.

During Fiscal Year 1988, 25,576 policy forms were reviewed, not counting riders, applications and endorsement forms filed with basic life and annuity policies. Action was taken to approve 12,231 forms and to disapprove 2,286 forms with 1,083 forms withdrawn from consideration at the request of the companies. Action was taken on 1,367 resubmissions and 8,609 forms were filed pursuant to Subchapter Z, Chapter 3, Part I of Title 28, Tex. Admin. Code.

In addition to policy review, the Life Group processed special statistical studies involving Medicare supplement policies, credit insurance and life insurance contracts with premium rates based on race. In addition, mortality tables for the Commissioner's Standard Ordinary Smoker/Non-Smoker Blended Tables were stored on the computer mainframe to reduce time necessary to verify the nonforfeiture values contained in interest sensitive individual life products and flexible premium variable life products.

Finally, technicians and actuaries in the Life Group were involved in Board meetings and drafting that led to blood testing standards and non-discrimination rules for AIDS; rules prescribing language for accident and sickness reimbursements to the Department of Human Services; and rules adding an additional disclosure statement to the required Medicare supplement Outline of Coverage warning consumers against purchase of duplicate coverage.

Figure 10. Summary of Activity - Life Group

	Total	Stipulated Premium	Individual Life	Individual A & H
Forms Pending at Beginning of Year	5,863	16	756	1,118
New Submissions During the Year and Renewals of Approvals	20,549	67	5,888	5,100
Resubmissions During the Year	1,367	2	762	0
Total for Consideration	27,779	85	7,406	6,218
Forms Affirmatively Approved, Accepted by Advertising or Renewed	12,231	37	2,043	4,293
Forms Disapproved	2,286	8	1,178	3
Total - Action Taken	14,517	45	3,221	4,296
Forms Filed	7,526	16	3,237	690
Forms Withdrawn at Request of Co.	1,083	5	125	262
Total Pending at End of Year	4,653	19	823	970

	Group A & H	Group Life	Group Comb.	Credit
Forms Pending at Beginning of Year	2,079	282	773	53
New Submissions During the Year and Renewals of Approvals	5,207	779	2,565	943
Resubmissions During the Year	140	65	80	318
Total for Consideration	7,426	1,126	3,418	1,314
Forms Affirmatively Approved, Accepted by Advertising or Renewed	2,920	533	1,589	816
Forms Disapproved	394	152	163	388
Total - Action Taken	3,314	685	1,752	1,024
Forms Filed	2,962	178	435	8
Forms Withdrawn at Request of Co.	356	90	213	32
Total Pending at End of Year	794	173	1,018	70

PROPERTY

The most important development in the Property activity during Fiscal Year 1988 was implementation of one of the most widespread building inspection programs in the state. In response to concerns about the growing exposure of the Texas Catastrophe Property Insurance Association (Catpool) along the 14 counties of the Gulf Coast and the potential effect of losses on the state treasury due to tax offsets permitted when Catpool losses exceed $100 million annually, an interim study by the House Insurance Committee recommended to the 70th Legislature that the SBI establish a building inspection program. The program (enacted as H.B. 2012, Acts of the 70th Legislature) assures that newly built or remodeled property qualifying for coverage through the Catpool meet minimum wind resistant construction standards. Counties affected by the program are Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio and Willacy.

Since this type of inspection can only occur during the construction of a building, field offices had to be established or expanded in five locations along the coast so that state inspectors would be on the job site within 48 hours of a request for inspection.

To make sure that requirements of the act were well known to citizens who may want coverage through the Catpool, a comprehensive information program was developed. Packets of information were mailed to 1,682 licensed insurance agents as well as all banks, mortgage companies, savings and loans and their subsidiaries, city building officials, mayors, city council members, county judges, county commissioners and all state legislators in the 14 Gulf Coast counties. In

addition, two panels of speakers were sent to about 60 meetings of trade and civic groups to talk about the program and answer questions. Press releases to media in the area were also issued.

As of August 31, 1988, 2,745 applications had been received, 870 inspection certificates issued and 5,442 inspections conducted since most building projects require multiple inspections at different phases of construction. The program is expected to increase in the coming year with expansion of naval base operations in Galveston and Corpus Christi, a proposed plastics plant in Calhoun County and the development of dog and horse racing along the Gulf Coast.

Property Rating

Implementation of the Catpool inspection program by the Property Rating staff added to the already existing 21 branch offices in urban areas around the state (Abilene, Amarillo, Austin, Beaumont, College Station, Corpus Christi, Dallas, El Paso, Fort Worth, Harlingen, Houston, Lubbock, Midland, San Angelo, San Antonio, Sherman, Texarkana, Tyler, Victoria, Waco and Wichita Falls). These offices, along with the Property Road Crew, evaluate and rate more than 760,000 commercial buildings, schools, stores, factories, churches and other structures for which individual rating is required. The rates, based on a formula promulgated by the Board, take into account the construction, occupancy, location, fire protection and fire hazards of the buildings.

Another function of this division is the work of the inspectors who comprise the Property Road Crew. The crew inspects buildings in cities and towns for rate promulgation.

Figure 11. Summary of Activity - Property Rating

	FY 87	FY 88
New Buildings Inspected	29,627	23,809
Existing Building Rates Revised	18,428	18,518
Rates Cancelled	3,610	3,786
Visitors Counseled	2,622	2,275
Number of Telephone Calls	41,080	38,155
Written Requests for Rate Information	2,770	2,944

Once rates are promulgated they are stored in the SBI's mainframe computer in Austin by the Computer Rate Service. This division receives more than 250 phone calls an hour on busy days from agents and companies in need of a rate calculation before a policy is issued. Companies can access the information by video. Agents can receive data over the phone or through the mail. In addition to rates, the Computer Rate Service furnishes certificates for, and keeps records of, structures involved in the windstorm inspection program.

Figure 12. Summary of Activity - Computer Rate Service

	FY 87	FY 88
Property Rate Master File Activity		
New Building Rates	22,725	17,202
Deleted Rates	5,982	5,643
Revised Rates	52,762	56,084
Total Activity	81,469	78,929
Rate Requests Furnished		
By Telephone Calls	455,874	443,538
By Letters	140,196	165,697
In Office	4,963	9,063
Total Rates Furnished	601,033	618,298
Active On-Line Master Files	746,582	760,186

Average Rate Office

This division is responsible for the calculation and promulgation of average rates which include fire, extended coverage and all perils for property damage, business interruption, extra expense, rents, and various other types of insurance where two or more items are involved. This office is further responsible for advising the insurance industry and general public in matters pertaining to the various coverages.

Figure 13. Summary of Activity - Average Rate Office

	FY 87	FY 88
Number of Average Rate Bulletins Published	6,222	6,493
Requests for Average Rate Information	10,675	10,373

Insurance Lines

This division is responsible for oversight of rules, regulations and policy forms for the four major lines of property insurance: commercial multi-peril; inland marine; petroleum; and personal lines (including homeowners).

Commercial Multi-Peril: The regulation of *Texas Commercial Multi-Peril Policies* is established under Article 5.81, Tex. Ins. Code. This section is responsible for answering all written or telephone inquiries concerning the *Texas Commercial Multi-Peril Policy, Texas Commercial Property Policy, Electronic Equipment Protection Policy* and the *Texas Townhouse Policies*

Responsibilities of this section also include review of requests for changes to any of the multi-peril policies, forms or endorsements and to present recommendations to the Board for final disposition. Should changes be granted by the Board, this section is responsible for the implementation of changes , including forms and rules. In addition, this section is responsible for coordination, proofreading and assembling, printing and distributing revisions to the *Texas General Basis Schedules (GBS)*, the only insurance manual published exclusively by the Board.

Assistance is also given in the gathering and processing of statistical data for development of the fire record program, and in the adjusting of the package discounts allowed under the various multi-peril policies.

During Fiscal Year 1988, this section, in concert with an advisory committee, implemented two new commercial multi-peril policies, including endorsements and manuals of rules and rating procedures. *(Texas Businessowners Policy* and *Texas Commercial Package Policy).* Each policy was designed to respond to the various insurance needs of specific types of businesses at a reasonable cost.

Figure 14. Summary of Activity - Commercial Multi-Peril

	FY 87	FY 88
Requests for Rate Information	7,114	9,815
Number of Complaints Processed	83	69

Inland Marine: This section is responsible for the regulation of inland marine insurance and crop-hail insurance in accordance with applicable provisions of Article 5.53, Tex. Ins. Code and of the Texas definition of inland marine insurance. During the fiscal year ending August 31, 1988, this section acted on filings pertaining to such lines of insurance as Accounts Receivable, Valuable Papers, Stamp Collections, Personal Jewelry, Films and Negatives, Floor Plan Policies and Equipment Dealers. In addition, individual filings for excess rates in connection with various classes of inland marine insurance were processed.

Figure 15. Summary of Activity - Inland Marine

	FY 87	FY 88
Filings Acted On	163	194
Excess Rates Processed	541	501
Complaints Processed	-	45

This section reviewed and acted on a complete revision to the *Commercial Inland Marine Manual* and all commercial inland marine policy forms and endorsements for the controlled classes of inland marine insurance in Fiscal Year 1988.

Petroleum Properties: The Petroleum Properties section has the responsibility of handling, processing and preparing Board Orders on *Plan "C" Deviations, Percentage Deviations* and *Property Dividends* as well as promulgating rates for all eligible petroleum property and approving named rate filings, excess of loss filings and excess rate filings.

Petroleum insurance has for several years been a declining line of insurance for the admitted market in Texas with more and more of the risks being insured in the non-admitted market. To help reverse this trend to the non-admitted market, this section, in a joint effort with an advisory committee, completed a total revision of the method of insuring petroleum properties located in Texas. The new policy forms and endorsements and new rating procedure allow the admitted market to complete with the non-admitted market for petroleum risks.

Figure 16. Summary of Activity - Petroleum Properties

	FY 87	FY 88
Plan "C" Deviation Transactions	11	12
Percentage Deviation Transactions	336	342
Dividend Transactions	46	30
Named Rate Filings	936	1,101
Excess of Loss Filings	81	377
Excess Rate Filings	940	316

Personal Property Lines: This section handles rating matters not assigned to other property insurance sections and assists in gathering and processing statistical data for the development of the ratemaking formula and classification of fire, windstorm and extended coverage insurance and the making of surveys and investigations as required. Special multi-peril policies such as *Homeowners* and *Farm & Ranchowners* contracts are handled by this section. The activities of various county mutual insurance companies are also supervised. In addition, this section handles the coordination, proofreading and assembling, printing and distributing revisions for the *Texas General Basis Schedules*. Finally, this section oversees a program whereby homeowners whose property complies with certain theft prevention standards (such as deadbolts and window locks) can qualify for a premium reduction (Article 5.33A, Tex. Ins. Code). As of August 31, 1988, 19,951 premium reduction certificates under the program were in force.

Figure 17. Summary of Activity - Personal Property Lines

	FY 87	FY 88
Requests for Rate Information	2,235	1,753
Number of Telephone Calls	11,592	12,390
Number of Certificates Issued	5,600	7,352
Number of Rate Quotes	384	385
Number of Complaints Processed	1,154	691

Engineering

This division conducts inspections of public fire protection facilities of some 550 cities throughout Texas. These inspectors analyze and evaluate the fire fighting capabilities of cities and towns. During Fiscal Year 1988, this activity reviewed some 1,263 sets of drawings of automatic sprinkler systems and made field inspections and tests of 346 new installations and 136 existing installations. In addition, inspectors checked 13 cities with new water systems and tested some 76 pumpers from the various fire departments. Engineers and inspectors also devoted considerable time to assisting engineering firms, fire protection contractors and city officials with fire protection problems.

Figure 18. Summary of Activity - Engineering

	FY 87	FY 88
Key Rate Field Inspections	44	47
Key Rate Supplements Published	174	138
Auto Pumpers Retested	50	76
New Waterworks Systems Inspected	14	13
New Automatic Sprinkler Rate, Gradings and Sets of Monthly Inspection Cards Printed	489	324
Automatic Sprinkler Systems Plans Checked	1,315	1,263
Automatic Sprinkler Field Inspections (Old)	103	136
Automatic Sprinkler Field Inspections (New)	472	346
Old Maps Corrected	219	164
Old Maps Drawn	28	24
Highly Protected Risk Rates Reviewed and Published	141	80

CASUALTY

Within the Casualty Group is the responsibility for regulating some of the most volatile lines of insurance in the state: automobile, workers' compensation, medical professional liability, title, bonds, and general liability. With the exception of loss control, which is the newest division in the group, functions and activities are divided by the type of insurance regulated.

Workers' Compensation

Management: If any one issue has dominated public debate in the casualty insurance field during the past year in Texas, it is workers' compensation. Concerns about the fairness and operation of the claim settlement system and rising claim costs that led to back-to-back average statewide premium rate increases of 30.7, 17.7 and 25 percent, prompted the legislature to commission the Joint Select Committee on Workers' Compensation Insurance. Management of the workers' compensation division worked closely with other SBI divisions to supply information and reports to the Committee, coordinate testimony, appear as witnesses at meetings of the committee and assist with data collection including research assistance to consultants who developed data from insurance company closed claim files.

In addition to assisting the legislative committee, the management division worked with other SBI divisions in defining and analyzing proposals for the first comprehensive study of the state experience rating system for workers' compensation ever commissioned by the Board. After the contract was awarded on June 2, 1988 to Touche Ross & Company, the division worked with Data Processing to develop and deliver a data base consisting of approximately 7900 Texas experience rating files to be used by the consultant in analysis of proposed modifications to the experience rating system. The final report of the consultant is expected in December.

While these studies were underway the day-to-day business of the division, including providing assistance and information to the public; planning and settling the division into new headquarters space; and research and development work on automation of Board files (of which an image processing system will be a foundation) demanded the attention of management. Public concern about workers' compensation and market conditions caused a 32 percent increase in telephone inquiries, a 39 percent increase in the number of visitors and a 61 percent increase in complaints handled by the management division.

Figure 19. Summary of Activity - Workers' Compensation Management

	FY 87	FY 88
Interpretation of Rulings	8,678	10,805
Office Visits	170	203
Complaints	159	142
Board Hearings	10	5
Board Orders	18	14
Office Conferences	105	116
Outside Meetings Attended	7	18

Policy Review: This section is responsible for the review of individual policies to make sure the policy provides the desired coverage with appropriate classifications and corresponding rates. Since it is not possible to review all policies filed, the section concentrates its efforts on reviewing files that have had a change in ownership; are scheduled to be experience rated; have had a change in the named insured; have coverage written through the Texas Workers' Compensation Assigned Risk Pool (TWCARP); or are written for a new risk. Because files were purged prior to the beginning of Fiscal Year 1988, technicians were able to spend all of their time reviewing files. In Fiscal Year 1988, 105,768 were reviewed which was an 18 percent increase over the files reviewed in Fiscal Year 1987.

The image processing system will allow this section to be more selective in the files reviewed. Through random sampling, technicians will be able to monitor the accuracy of policies issued for each insurance company writing workers' compensation policies. If the sampling reveals no major problem with the policies written by the insurance company, then there is greater likelihood that the majority of all of the policies issued by that insurer are correct. Review by random sampling has never been possible because of the number of files involved and absence of file and data automation. The electronic data base created by the image processing system will aide in the development of an automated policy review function.

Figure 20. Summary of Activity - Workers Compensation Policy Review

	FY 87	FY 88
Daily Reports Approved	37,850	44,178
Endorsements Separately	61,237	73,868
Cancellations Separately	18,746	19,207
Disapprovals Written	18,520	22,259
Letters Written	5,100	6,176
Telephone Calls	3,121	5,919
Office Visitors	76	102
Non-rated Files Worked	33,066	19,793
New Files Created	18,099	22,049
Inter-state Files Worked	7,300	6,101
Intra-state Files Worked	32,177	57,825
Computer Transaction Requests	29,400	34,474

Classification: This section works almost exclusively in assigning classifications to a business either by telephone, through written correspondence or by making field inspections. Information needed to determine the proper classification may come from the insured, agent or insurance company.

Due to an increase in travel funds and the addition of one employee in Fiscal Year 1988, this section was able to increase the number of inspections made by 32 percent. As rates continue to increase, so do the number of requests for inspections to be made. In Fiscal Year 1988, 1252 inspections

were made in comparison to 854 in Fiscal Year 1987, an increase of 47 percent. In addition to more inspections, this section had an increase of 13 percent in the number of telephone inquiries and a 30 percent increase in letters written.

Figure 21. Summary of Activity - Workers' Compensation Classification Office

	FY 87	FY 88
Files Audited	3,796	656
Number of Plant Inspections	862	1,252
Number of Days Traveled	249	369
Total Miles Traveled	36,284	59,531
Average Travel Cost Per Inspection	$ 18.35	$ 20.94
Interpretations & Rulings	26,602	30,456
Office Visitors	84	116
Inspection Cards Made	832	1,320

Workers' Compensation Files: This section has the responsibility of maintaining more than 310,000 paper files. The number of new files set up continues to decline because policies with premium less than $1,500 are no longer required to be filed with the Board. Even without the low premium policies, the incoming mail increased in Fiscal Year 1988. Since the file purge is now complete and since more files are being reviewed by technicians in the policy review section, there is very little "excess" paper in the files. The on-line capability to update records in the automated locator system continues to be a help in having the locator system as accurate as possible.

Figure 22. Summary of Activity - Workers' Compensation Files

	FY 87	FY 88
New Files Created	14,665	18,982
Files Worked in Reduction	133,878	213,532
Files Destroyed	60,532	75,595
Incoming Mail	598,538	730,496
Inter-state Rating Forms Received	15,997	32,418
Computer Transactions:		
Records Deleted	192,532	151,083
Records Added	45,281	47,937
Records Updated	16,076	29,905

Rate Modification: This section is responsible for promulgating experience modifiers for policyholders who have sufficient premium to qualify for experience rating. The plan compares each employers' actual experience with that expected for all employers of the same class. Those with better loss records receive a credit, which reduces overall premium costs. Those with worse than average loss records are penalized with a debit modifier which increases their premium. During Fiscal Year 1988, 70 percent of the modifiers calculated were credits while 30 percent were debits. This is a change from the 74 percent credit modifiers and 26 percent debit modifiers calculated in prior years.

Additional staffing allowed a system to be set up with the Legal Section to begin disciplinary action against insurance companies which fail to file unit statistical cards in a timely manner or insurance companies filing improper data. This new procedure, set up in early 1988, resulted in 1,581 letters written to SBI attorneys for consideration of disciplinary action. This will be an on-going procedure to see that insurance companies file required statistical information on time.

The biggest accomplishment of the Rate Modification section in Fiscal Year 1988 was to catch up in calculating experience modifiers. At the beginning of Fiscal Year 1988, modifiers were being issued about 3-1/2 months late. By adding eight employees in Fiscal Year 1988 and by working overtime, experience ratings are being calculated 60 days ahead of the policy expiration date.

Figure 23. Summary of Activity - Workers' Compensation Rate Modification

	FY 87	FY 88
Ratings	37,238	63,342
Rate Cards	28,377	43,377
Letters of Authority	26,978	24,590
Request for Unit Statistical Cards	3,649	5,524
Data and Invoices	36,586	36,945
Letters Written	1,345	3,384
Telephone Calls	36,796	45,579
Visitors	1,074	1,461
Re-rates	532	687
Non-qualifying Rates	3,165	4,473
Letters to Legal	-----	1,581

Liability Insurance

General Liability: One of the most important functions of this office is analyzing and processing for Board approval various policy forms, endorsements and manual rules for the hundreds of liability programs that fall under the broad category of "General Liability". With the responsibility of processing almost 140,000 forms and 50,000 rates annually, this activity is another one that will reap the benefits of the planned automated document retrieval system. The new system will enable the division to convert all existing and new files to film and to access them via an automated index. Savings in staff hours; better control over and security of files; and greatly improved data collection capability are expected once the system is operational.

The need for better information and data control is particularly important under Article 21.49-12, Tex. Ins. Code. That statute, passed by S.B. 2, Acts of the 70th Legislature, 1st Called Session, gives the Board the authority to establish market assistance programs for liability insurance when market constriction indicates a need. To properly carry out its responsibility, the Board directed the General Liability section to begin collecting data for certain lines and classes of business that are particularly susceptible to market constrictions (Board Order 53071). As it is developed, the data will be used by the Board in its decision making and will be a useful resource for the public. The system will also help the division manage its ever-increasing workload, particularly in the volume of "A" rate filings which grew by 50 percent in Fiscal Year 1988 and general information requests which grew by 40 percent.

Figure 24. Summary of Activity - General Liability

Activity	FY 87	FY 88
"A" Rate Filings	111,191	100,810
General Information Requests	25,192	42,744
Audits	44,034	51,554
Ratings	8,562	10,933
Board Orders	661	196
Forms	118,818	139,846
Complaints	293	308

Professional Liability: The primary function of the Professional Liability section is to regulate medical professional liability insurance under Article 5.15-1, Tex. Ins. Code and 244 *Miscellaneous Professional Liability* programs e.g., *Directors & Officers* coverage. Medical professional liability includes coverage for physicians, surgeons, hospitals, dentists, nurses, chiropractors, optometrists, blood banks, nursing homes, medical clinics and other specified types of health care providers. This division is responsible for reviewing all professional liability insurance programs, i.e., the policy contracts, endorsement forms, rating classifications, rating rules and rates. Technicians make recommendations to the Board concerning the feasibility of new and revised programs for use in the state.

Premiums paid on this line of insurance in calendar year 1988 were $164,073,880, an increase of 33 percent over the previous year. This is indicative of a growth not only in the numbers of providers with coverage but the rising cost of coverage which is creating severe market problems. Another indication of market constriction can be seen is in the number of consent-to-rate applications processed by this section. These applications are filed on behalf of health care providers who agree to a rate higher than that approved by the Board under its rate regulatory authority. The number of consent-to-rate and "A" rate filings processed by the Board grew from 587 in Fiscal Year 1986 to 7,912 in Fiscal Year 1987 and finally reached 19,071 in Fiscal Year 1988.

This section also is responsible for the regulatory oversight of the Texas Medical Professional Liability Insurance Underwriting Association (JUA) which was established by statute, Article 21.49-3, Tex. Ins. Code to provide a state-controlled market of last resort for health care providers that cannot obtain needed coverage in the private voluntary market. For the first time in three years, the JUA did not have to assess insureds to make up the operating deficit incurred in calendar year 1987. The policyholder stabilization reserve fund was sufficient to cover the approximate $1.9 million deficit of the JUA. The Texas JUA is one of only three state medical JUA's that is not currently operating with a multimillion dollar deficit.

Figure 25. Summary of Activity - Professional Liability

	FY 87	FY 88
'A' Rates and Consent-to-Rate Filings	7,912	19,071
Telephone Calls	4,987	6,462
Board Orders	44	53
Office Consultations, Conferences	61	41
Board Meetings and Hearings	30	65
Written Complaints	59	90
Letters, Memos & Bulletins	2,815	4,427

Automobile, Title, Bond, Burglary, Plate Glass, and Miscellaneous Casualty Lines

Automobile: Functions of this section can be generally categorized as research, development and review of existing and proposed automobile insurance policy forms, endorsements, coverages and manual rules. In addition, this section acts as an administrative and coordinating office in connection with the stamping office and advisory activities of the Texas Automobile Insurance Service Office (TAISO) and the general functions of the Texas Automobile Insurance Plan (TAIP). Specific tasks include reviewing and checking of automobile experience rating, composite loss ratings, review and processing of individual risk automobile consent-to-rate applications and statewide class rate deviation applications.

Figure 26. Summary of Activity - Automobile

Activity	FY 87	FY 88
Experience Rating Files*	56,972	38,148
Composite Rating*	1,103	938
Loss Rating	195	180
Nonstandard Limits	43	90
Liability Rating Received*	11,286	10,422
Experience Rate Ownership/Inquiries	44,345	26,518
Specimen Automobile Policy	135	285
State Agency Auto Policies	87	99
Consumer Inquiries and Complaints	30,223	32,697
Deviation Filings	225	312
Consent-to-Rate Filings	71,450	106,230
Individual Risk Submissions	1,519	1,485
County Mutual Rate Filings	244	296

** The reduction of filings processed in this area is a result of a manual rule change increasing the minimum qualifying premium to be eligible for Experience Rating from $2,500 to $5,000.*

In Fiscal Year 1988, manual and policy revisions occupied considerable staff time. The *Texas Automobile Manual* was completely revised, including the endorsement supplement. The *Comprehensive General-Automobile Policy* and *Basic Automobile Policy* were withdrawn and replaced by the new *Business Auto Coverage (BAP), Garage Coverage,* and *Truckers Coverage Forms.* The *Mechanical Breakdown Policy* was withdrawn and replaced by three distinct mechanical breakdown policies (New Car; Select Components; Used Car). A new *Non-Resident Auto Policy* with manual rules and rates to support this program was developed and adopted in response to concerns about the ability of out-of-state residents to comply with Texas mandatory auto liability law as amended by H.B. 390, Acts of the 70th Legislature. Many other auto manual changes and additions were approved including a farm-trailer endorsement to clarify coverage of trailers under the BAP. A committee has been appointed to rewrite the *Single Interest Physical Damage Policy* and recommend revised rates. This committee, composed of industry, consumers and SBI staff, will have new policy forms and rate recommendations to present to the Board by early 1989.

Automobile insurance accounts for over 44.6 percent of the Texas total premium for all lines written by property/casualty companies. For the 1987 calendar year, written premiums on automobile insurance in Texas for all licensed companies (except county mutuals) amounted to $4,261,621,440. Written premiums increased $131,072,483 or 3.2 percent over the previous year. County mutual insurance companies, which are exempt from the uniform automobile insurance rate law, had automobile written premiums in the 1987 calendar year of $870,794,288. This represented a slight decrease from the previous year. The non-rate regulated county mutual insurance companies write 17 percent of the automobile insurance premiums in Texas. While county mutual insurance companies are exempt from rate regulation, their rates must be filed with the Board for informational

purposes. In Fiscal Year 1988, 296 rate filings for county mutual insurers were received and processed.

Insurers subject to the Board's rate regulation have two options if they want to sell coverage at rates other than those promulgated by the Board. They can file for deviations (upward or downward) or they can contract with individuals who consent to pay rates in excess of the Board promulgated rate.

As of August 31, 1988, there were 283 approved automobile insurance rate deviations consisting of 73 downward and 24 upward on commercial automobiles and 132 downward and 54 upward on private passenger automobiles. During Fiscal Year 1988, there were 39 new deviations processed and 29 amendments. Total automobile insurance rate deviations processed were 312.

Consent-to-rate authority resulted in 106,230 individual risks being submitted for rating in excess of the Board's prescribed rates, an increase of 28 percent over Fiscal Year 1987. The reason for this increase apparently was the move by insurers to fill the void left by the insolvency of some companies which had specialized in substandard business written at unregulated rates.

Bond, Burglary, Plate Glass and Miscellaneous Casualty Lines: This section, commonly referred to as the Bond section, assists with the administration of statutes and Board regulations pertaining to fidelity and surety bonds; guaranty agreements; personal and commercial crime insurance; and residential and commercial glass insurance. The miscellaneous casualty lines administered by this activity include mortgage guaranty insurance and credit insurance coverages.

In the first quarter of the fiscal year, this section directed its efforts towards the development and implementation of new bond forms and rates. The forms were developed to comply with bonding requirements contained in several statutes enacted by the 70th Legislature.

This section received 154 new complaints and closed 112 complaints against insurance companies in Fiscal Year 1988. Twenty complaints were referred to other divisions, primarily Legal and Unauthorized Insurance.

Five informational bulletins were prepared and distributed to all insurers and agents writing crime, glass, mortgage guaranty, credit insurance and bonds. The bulletins advised companies and agents of policy forms and rate changes that were approved by the Board during the fiscal year.

Two major filings considered and approved during this period were: a 20 percent increase in contract surety bond rates and a substantial revision of financial institutions' fidelity bond forms.

Figure 27. Summary of Activity - Bond, Burglary, Plate Glass and Misc. Casualty Lines

Activity	FY 87	FY 88
Filings	108	86
Experience Ratings	799	1,193
"A" Rate Orders	285	484
Consent-to-Rate Applications	2,511	2,473
General Information Requests	6,932	8,560
New Experience-Rated Risks	399	477
Hearings/Board Meetings	2	14

Figure 28. Summary of Activity - Texas Premiums Miscellaneous Casualty Lines

Line of Insurance	FY 87	FY 88
Fidelity	$ 35,505,408	$ 59,276,627
Surety	142,859,446	128,065,184
Glass	1,279,020	1,352,118
Burglary/Theft	6,163,590	6,036,459
Credit Guaranty	100,118,077	85,823,120

Title: This activity is responsible for administration of statutes that govern one of the most tightly regulated lines of insurance in the state. Texas totally regulates title insurance in all respects for the protection of consumers and purchasers of title insurance policies. The Board as authorized by Chapter 9, Tex. Ins. Code, has promulgated a comprehensive rules, rates and forms manual for the writing of title insurance in the state.

During Fiscal Year 1988, the activity was able to increase its staff by adding a field examination staff funded by fees established under the Texas Title Guaranty Act amendments contained in S.B. 873, Acts of the 70th Legislature. Two of the new staff persons hired are certified public accountants. This landmark piece of legislation also protects the public against losses due to escrow shortages, the only law of its type in the nation. In addition to auditing trust funds held by title companies for the public, examiners will protect the public by early detection of insurer impairment.

Figure 29. Summary of Activity - Title

Activity	FY 87	FY 88
Annual Escrow Audit Review	772	750
Board Orders	148	196
Complaints	83	110
Examinations	0	40
General Information Requests	7,999	12,203
Legal and Compliance Referrals	163	46

Loss Control

The newest division in the Casualty activity is that of Loss Control. Established in early 1988, this division has the primary responsibility for enforcing requirements that insurance companies provide certain accident prevention facilities to their insureds (S.B. 2, Acts of the 70th Legislature, 1st Called Session and H.B. 1021 and H.B. 667, Acts of the 70th Legislature). These laws require that the SBI establish safety standards and then check company offices for compliance. This division also has responsibility for enforcement of the *Amusement Ride Safety and Insurance Act* and is responsible for the SBI's own safety program for its employees.

Under the accident prevention statutes the primary task of this division is to make at least biennial evaluations of insurance companies writing specified lines of coverage to determine if they are providing adequate accident prevention services. The specified lines include workers' compensation, commercial auto, professional liability for hospitals, medical professional liability, professional liability for other than hospitals and general liability.

Because of the Board's concern with workplace safety, the first focus of the division was to evaluate compliance by workers' compensation carriers. A review of compliance certificates showed that 294 companies issued workers' compensation policies in 1987, with premiums totaling $2.38 billion. These companies employed 772 field safety representatives who made 121,616 on-site accident prevention visits to policyholders during the year. Accident prevention services cost the companies

a total of $26.7 million, according to the reports tabulated by Loss Control. On the other hand, 58 companies reported that they spent no money on accident prevention. As of October 18, 1988, Loss Control had inspected 34 companies and had 260 more to inspect by September 1, 1989. Nearly all of the companies writing workers' compensation have been notified that an evaluation will be forthcoming.

Under *Amusement Ride Safety and Insurance Act* approximately 100 carnival owner operators provide proof of insurance coverage and safety inspection certificates for approximately 1,000 amusement rides. Each ride requires an annual inspection certificate and an annual $20.00 inspection fee.

Figure 30. Summary of Activity - Amusement Rides

	FY 87	FY 88
Certificates/Policies	1,031	837
Injury Reports	14	19

LICENSING GROUP

Of all the consequences of the SBI's reorganization in late mid-1988, the effects on what is now known as the Licensing Group were among the most far-reaching. Prior to the reorganization, several distinct areas were responsible for managing the various licenses, certificates of authority and registrations subject to the jurisdiction of the Board. Now, all of those functions (exclusive of those managed through the State Fire Marshal's Office) have been combined into one large activity. The Licensing Group now consists of the entire operations which were previously conducted by the Agents Licensing Division (dealing with agents, adjusters, insurance counselors and the risk managers) and the Insurance-Related Activities Division (handling health maintenance organizations, prepaid legal services, continuing care retirement communities and premium finance companies). Additionally, the majority of the responsibilities which adhered to the former Corporate Custodian and Tax and the Excess and Surplus Lines divisions were incorporated into the Licensing Group. In these latter cases, functions relating to the eligibility of insurers (whether "licensed" or "non-admitted"), risk retention groups and purchasing groups to do business in Texas were absorbed into Licensing. Functions relating to the collection of various taxes, on the other hand, were assigned to the Administrative Services program. Finally, the responsibility for reviewing applications for admission by foreign insurers, and for maintaining the biographical data files regarding the principals of insurers was transferred from Corporate Affairs to Licensing. With this recombination of duties, one organizational unit is now responsible for managing all insurance-related authorities conveyed by the Board. The Licensing Group, which is subdivided into two groups (Insurance Lines and Associated Lines), has a staff of 134. The goal of the group is to achieve a degree of consistency in administration of "licensing" functions, thus, improving both efficiency and effectiveness.

Figure 31. Types of Licensees and Certificate Holders

License Type	Number FY 87	FY 88
Agents	232,842	243,478
Adjusters	33,307	21,018
Insurance Companies	2,245	2,242
Exempt Associations	16	14
Health Maintenance Organizations	31	31
Non-Profit Legal Services Corporations	1	1
Risk Managers	N/A	319
Premium Finance Companies	475	437
Continuing Care Retirement Communities	N/A	1

Insurance Lines

Company Licensing: This section processes incorporations, amendments to corporate charters, mergers, withdrawals, dissolutions and various other corporate actions and related licensing activities, the 20 different types of insurance companies authorized under Texas law. It also serves as the official custodian for the corporate records of insurance companies that do business in Texas and administers the statutory deposits that are required to be maintained by licensed insurers and corporate agencies for the protection of policyholders and creditors. The amount of cash and securities deposited with the Office of the State Treasurer, through the Securities Custodian, increased from approximately $256 million in Fiscal Year 1987 to $269 million in Fiscal Year 1988. The funds held in various banks under joint control with the Commissioner of Insurance and the Attorney-in-Fact for certain types of companies, increased from approximately $30 million in Fiscal Year 1987 to $33 million in Fiscal Year 1988.

This section acts on behalf of the Commissioner of Insurance in receiving service of process on those companies where the Commissioner is, by law, the attorney for service, a procedure greatly streamlined with implementation of a uniform service of process statute (Article 1.36, Tex. Ins. Code) enacted by S.B. 357, Acts of the 70th Legislature.

This section also responds to public inquiries concerning insurance companies that are licensed in the State of Texas. Presently the Board's Data Processing Section is engaged in the redesign of the Company License Master Information System. As a result of this project, it will be possible to access information regarding licensed insurers in a much more comprehensive and expeditious manner. Furthermore, as envisioned, this system will possess the inherent flexibility to allow for inclusion of information concerning surplus lines insurers, holding companies, third-party administrators and other entities. The new system will be phased in commencing in early 1989.

As of Fiscal Year 1988, the collection and maintenance of biographical information on the principal individuals of domestic companies became the responsibility of the Company License Section. The Company License Section is working closely with the agency's data processing staff to provide on-line access to such data. The goal is to make the biographical information as comprehensive and accessible as the information in the company records master file. In the near future, the public will be able to obtain biographical information on any principal individual associated with a Texas domestic company through access to mainframe programs.

As with other sections, Company Licensing was responsible for implementation of new laws passed in 1987. One of the most important pieces of legislation passed by the 70th Legislature was S.B. 370 which raised the requirements for Chapter 2 (property/casualty insurers) to $1,000,000 capital and $1,000,000 surplus at the time of incorporation. The old requirements were $300,000 capital and $500,000 surplus. In addition, if an existing company chartered under the provisions of Chapter 2 does not have $1,000,000 in capital as well as $1,000,000 in surplus as of May 29, 1987, and if there is a 50 percent or more cumulative change in its control, then it too must meet the new capital and surplus requirements.

Agents Licensing: Staff members review and process license applications for issue and renewal; approve and cancel company appointments for agents; develop, administer and grade qualifying examinations; review and approve training programs; and produce certifications of license status.

One of the most important taskts undertaken by the agents license division in Fiscal Year 1988 was implemention of a landmark mandatory continuing education bill for agents (S.B. 80, Acts of the 70th Legislature). Some 2,500 courses offered by about 280 associations, junior colleges and similar institutions have been approved. Under provisions of the act, which exempts agents with 15 years prior experience from the requirement to complete continuing education courses, about 6,500 exemptions have been researched and granted.

The division has been working for more than two years to streamline its functions and improve service to the more than 100,000 persons who hold licenses to sell and service insurance products in Texas. Many of the plans came to fruition during Fiscal Year 1988 with implementation of fast track renewal and simplified filing forms that take much of the guess work and most of the opportunity for error out of the business of getting and keeping valid license. The simplified renewal form reduced the number of questions required to be answered so that all the information now fits easily on one page. These measures, coupled with a fast track review that gets defective or incomplete renewal applications back to agents for corrections within a week, are beginning to pay off. In Fiscal Year 1988, the average number of renewals processed each day increased from 206 to 342.

In addition to renewals, the division administered more than 36,000 licensing examinations in Fiscal Year 1988 and issued some 49,000 new agents adjusters and other licenses. One of the newest types of license is that of risk manager, as required under provisions of S.B. 2, Acts of the 70th Legislature, 1st Called Session. These individuals are defined as persons who, for compensation, examine, access, or evaluate risks for and provide advice for reduction of risks to a person who seeks to obtain or review property and casualty insurance coverages. Under procedures, examinations and rules developed during Fiscal Year 1988, 389 persons applied for license as a risk manager and 319 qualified and received a license.

With 17 distinct license types administered through this division, one of the most significant improvements in operations for the department and for licensees will be the completion of the single agent master file. In the fall of 1987, the Board adopted rules that eliminated the requirement that individuals and corporations hold multiple licensees of the same type because of their involvement in different agency structures. This not only reduced paperwork but permitted the phase-out of thousands of redundant licenses. The next step will be completion of a single certificate for all licensees for a given individual. Currently, a person with a local recording agent license, Group I life license, and variable annuity license would have three different certificates issued by the Board, requiring three separate renewal procedures. When the single certificate system comes on-line, the amount of paperwork will be reduced significantly for licensees and the department. In addition, consumers will have a clearer picture of the licensing status of individuals with which they are doing business.

Hand-in-hand with simplified licensing, are efforts to contract with an outside testing service for administration of qualifying examinations. Currently, all exams are administered monthly by Board staff or contracted proctors in 15 locations through the state. Based on procedures adopted by the Board in Fiscal Year 1988, the staff sent out a Request-for-Proposal to prospective vendors. A contract is expected to be issued in Fiscal Year 1989. Once established, the testing service will screen applications for license, administer and grade exams. This should speed up issuance of a license where an exam is required by three weeks once fully implemented.

One of the problems that had plagued the Agents License section was that of an inadequate telephone system. In spite of several attempts to improve the handling of incoming calls and inquiries, many licensees and others who need to check on the licensing status of agents were welcomed by a busy signal. A telephone bank with eight operators has been installed which means the number of calls being handled has increased from about 600 per day to about 1,000 per day. Equipment has been installed to monitor the number of incoming calls receiving a busy signal. If needed, additional phone lines and operators will be added. In addition, the division is exploring the possibility of a dial up system via telephone modem to permit outside callers direct access to computer records for license and processing status checks.

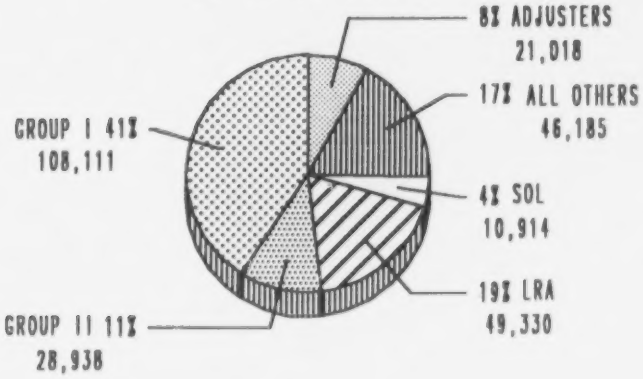
Figure 32. Five-Year Summary of Agent's License Statistics

	FY 84	FY 85	FY 86	FY 87	FY 88
Total Licenses Issued	39,333	43,582	47,100	46,898	47,836
Total Licenses Renewed	77,393	40,627	74,118	53,621	85,066
Total Licenses Cancelled	22,422	27,492	27,213	28,993	49,735
Total Additional Appointments Processed	123,172	132,997	136,253	142,966	162,736
Total Current Licenses	172,451	193,293	213,426	266,149	264,496
Total Examinations Administered	29,807	31,826	31,498	31,237	36,469

Figure 33. Types of Agents Licenses

	FY 87	FY 88
Agents		
Group I	100,978	108,111
Group II	30,281	28,938
Variable Annuity	9,784	11,832
Variable Life	517	493
Local Recording	49,963	49,330
Solicitor	10,776	10,914
Non-Resident Fire/Casualty	6,949	7,642
Managing General	633	743
State Specialty	8,384	9,374
Title	1,979	1,988
Escrow Officers	4,935	5,354
Surplus Lines	535	564
Pre-Paid Legal Agents	6,170	6,890
HMO Agents	882	1,214
Life Counselors	83	91
Adjusters	33,307	21,018
Risk Managers	N/A	319
TOTAL	266,149	264,871

LICENSE DIVISION
TOTAL ACTIVE LICENSED INS AGENTS AND ADJUSTERS
AS OF 08-31-88



Third-Party Administrators: With adoption of H.B. 170, Acts of the 70th Legislature, 2nd Called Session, Texas joined 25 other states that require third-party administrators (TPAs) to be licensed. These firms have evolved over the years into a significant force in the insurance marketplace. They are primarily benefit administrators who contract with insurance companies or self-insureds to handle many of the clerical functions (such as claims processing and premium collection) of pension, disability, health insurance or other employee benefit arrangements. By law, third-party administrators must be licensed if they receive any form of administrative or service fee, consideration, payment, premium, reimbursement, or compensation for performing or providing any service function, or duty, or activity respecting insurance or alternatives to insurance in any administrative or management capacity, under a contract or other agreement to be performed in Texas or with respect to risks located or partially located in Texas or on behalf of persons for any plan, insurance carrier or person that self insures.

On February 29, 1988, the 353rd State District Court of Travis County enjoined the SBI from implementing the provisions of H.B. 170, holding that the law was unconstitutional because it violated Article 3, Section 35 of the Texas Constitution which prohibits bills, other than the General Appropriations Act, from containing more than one subject. However, at the close of Fiscal Year 1988 the state had filed a notice of appeal which in effect stayed the order of the trial court pending appeal. In the interim, the Board continued to process applications from individuals seeking licensure with 212 filed by the end of the fiscal year.

Associated Lines

Surplus and Excess Lines: Some of the most sweeping changes during the 70th Texas Legislature occurred in the areas under the jurisdiction of this section of the Board.

Concerns about the availability and affordability of liability insurance led to consideration by lawmakers of changes to state tort and insurance law in 1987. The insurance reforms considered by the 70th Legislature took a new look at one of the most misunderstood markets in Texas, the surplus lines market. During the liability crisis, many Texans were unable to find coverage from companies licensed to do business in Texas. Their alternative is to work with specialized agents who are permitted to place all types of property/casualty business with companies that are not licensed (the non-admitted market). There are about 430 licensed surplus lines agents who place

business through about 240 non-admitted insurers, including 87 alien companies which have their home office in another country.

Three landmark bills, passed by the 70th Legislature and implemented in Fiscal Year 1988, have greatly affected the quantity, type and accuracy of information available to the Board on the financial status of these companies and on the types of risks exported through surplus lines. Prior to enactment of S.B. 2, Acts of the 70th Legislature, 1st Called Session and S.B. 526, Acts of the 70th Legislature, the Board did not have assured access to company financial statements or the staff to conduct more than a superficial examination of reports that were received. The two bills also established minimum capital and surplus requirements phased in to $6 million combined capital and surplus by December 31, 1992 and required the carriers to be licensed in their state or nation of domicile. S.B. 989, Acts of the 70th Legislature, established the Surplus Lines Stamping Office to assist the Board in monitoring the growing volume of property/casualty insurance business being exported. The premium volume of business placed through surplus lines grew by 165 percent from 1984 to 1987. The purpose of the Stamping Office is to assist the Board in handling the receipt of paper documents, investigations, financial analysis and record keeping. The Stamping Office, which became operational July 1, 1988, will make regular reports to the Board and assist Board staff in investigation of alleged or known violations of law for quicker referral to staff attorneys for appropriate action.

Consumers who cannot get insurance through the admitted market or prefer not to use surplus lines agents have the option of obtaining coverage directly from carriers. This is known as "Independently Procured" insurance, an area that nearly tripled in premium volume in four years, growing from $17.6 million in 1984 to $51.7 million in 1987.

Figure 34. Surplus Lines and Independently Procured Premiums (1974-1987)

Calendar Year	Surplus Lines Premium	Independently Procured Insurance Premium	Total Premium
1974	48,480,742	4,844,494	53,325,236
1975	66,871,988	4,673,644	71,545,632
1976	102,609,808	4,670,811	107,280,619
1977	152,669,862	5,587,035	158,256,897
1978	180,780,805	12,612,967	193,393,772
1979	198,889,946	13,156,203	212,056,149
1980	214,967,314	18,530,751	223,570,065
1981	231,078,109	20,664,914	251,743,023
1982	262,740,732	23,380,744	286,121,476
1983	255,660,205	21,491,557	277,151,762
1984	278,984,944	17,612,639	296,597,583
1985	478,860,441	21,648,036	500,508,477
*1986	689,919,223	43,197,214	733,116,937
*1987	740,411,971	51,724,935	792,136,906

* *Estimated figures as all reports for 1986 and 1987 have not been cleared.*

Figure 35. Summary of Premium from 7-1-86 to 6-30-88

	7-01-86 through 6-30-87	7-01-87 through 6-30-88
Independently Procured Insurance	$ 49,893,751	$ 94,878,853
Surplus Lines Insurance	$ 676,699,942	$ 865,258,259
TOTAL	$ 726,593,693	$ 960,137,112

** Excess and Surplus Lines statutory requirements necessitate compilation by surplus lines agents of semi-annual reports for periods January 1 through June 30 and July 1 through December 31 each year. Independently procured insurance premium volume (Form F-SBI-FT-1) and taxes are posted as remitted throughout the year even though there are peak periods of remittance. Totals are herewith quoted for identical periods of time for which surplus lines premium taxes are reported.*

For liability insurance consumers, there is still one other option: risk retention and purchasing groups formed under a federal act signed into law in late 1986. Because these groups are exempt from many state insurance laws including state guaranty funds, there was concern that inadequately capitalized or ineptly managed groups would collapse, leaving millions of dollars in unpaid claims in their wake. The response of lawmakers was to enact S.B. 1148, Acts of the 70th Legislature, which sets out licensing and admission requirements for risk retention groups which operate in Texas. The law also establishes filing requirements and guidelines for purchasing groups (groups of businesses which band together to buy group liability insurance as a unit through licensed carriers, surplus lines insurers, or risk retention groups).

Figure 36. Licensed Risk Retention & Purchasing Groups

	FY 88
Purchasing Groups	250
Risk Retention Groups -- Foreign	35

Both purchasing groups and foreign risk retention groups (those with a home office in another state) must register with the SBI. Domestic Risk Retention Groups are licensed and regulated as admitted insurance companies through the Company License section. Although rules and procedures for these groups have only been in force for a short period of time, early reports indicate that the principal types of coverage being purchased through these groups (in order of frequency) are general liability, errors & omissions, professional liability, commercial automobile liability and products liability.

Insurance-Related Activities: Nowhere is the diversity of activities under the Board's jurisdiction better demonstrated than in this largely self-contained section with responsibility for regulation and financial oversight of health maintenance organizations, premium finance companies, continuing care retirement communities and prepaid legal services corporations. Because of the unique nature of entities under the jurisdiction of this activity, specialists within the section perform a variety of regulatory duties from financial examination to complaint processing.

Health Maintenance Organizations: Technicians and examiners with responsibility for regulation of Health Maintenance Organizations (HMOs) review and analyze thousands of filings every year, including new and revised evidence of coverage forms; rate filings; provider contracts; management contracts; organizational documents such as bylaws and articles of incorporation; purchase, construction and lease agreements; bonds; reinsurance contracts; marketing plans; financial statements; complaint procedures; quality assurance and utilization review mechanisms; and changes in ownership and control. They also process and review documents for new HMOs seeking a certificate of authority and applications for service area expansion, while exercising primary jurisdiction for financial solvency review of licensed HMOs.

As of August 31, 1988, Texas had 49 licensed HMOs and HMO Divisions (41 full service and eight single service) with approximately 1.3 million enrollees. Three of the applications for admission were processed in Fiscal Year 1988 with five service area expansions (two of which were new divisions). Technicians and examiners in the HMO unit believe that the number of applications for new licenses was substantially below what had been predicted because of the troubled Texas economy, marketplace saturation and the election of several entities to purchase existing HMOs instead of forming new ones.

Another significant impact on the work of the unit was the streamlining of filing requirements enacted under S.B. 1132, Acts of the 70th Legislature. In addition to increasing minimum surplus requirements for HMOs from $200,000 to $500,000 for full-service HMOs and from $50,000 to $125,000 for single service HMOs, the bill established an HMO Solvency Surveillance Committee. The Committee, composed of nine members appointed by the Board, is to assist and advise the Commissioner in detection and prevention of HMO insolvencies. Under the statute, HMOs can be assessed for SBI administrative expenses in rehabilitation, liquidation, supervision or conservation of an impaired HMO.

The reduction in the number of HMOs seeking licensure; the streamlining of operations due to legislation and improvements in internal procedures; and an increase in staff and new sources of funding provided by new fees and taxes authorized in H.B. 2022, Acts of the 70th Legislature has resulted in a marked improvement in workflow in the unit. In Fiscal Year 1987, many HMO applications, even though "complete", waited a year before review could begin. Currently, application reviews begin within 15 days of receipt. In addition the number of days it takes to begin to review application modifications has declined from 45 days to less than three days and rate filings that used to take six months are now completed within a month.

Figure 37. Summary of Activity - HMOs

Activity	FY 87	FY 88
Applications Processed	9	3
Service Area Expansion	6	5
New Forms Received	10,498	7,497
Forms Completed	11,754	8,210
Site Visits and Audits	98	83
Telephone Calls	8,626	9,328

Figure 38. Six-Year Statistical Overview of HMO Industry In Texas

As of FY:	Approx. No. of Members	No. of Full Service HMOs*	No. of Single Service HMOs*
1983	272,446	13	-
1984	392,800	14	-
1985	564,430	24	-
1986	780,598	34	1
1987	1,043,823	43	4
1988	1,300,000	41	8

* *Combines certificates of authority and divisions*

Prepaid Legal: Prepaid Legal Services Corporations (PPL), governed by Chapter 23 (non-profit legal services corporations) and Article 5.13-1, (authorized insurers), Tex. Ins. Code, are similar to HMOs in that they operate on a prepayment by enrollees for promised legal (rather than medical) benefits as need may arise for these benefits. Many of the regulatory procedures and processes are similar to those in HMOs but there are distinctions as well. For example, all PPL rates must be approved or disapproved by the Board.

There is one Non-Profit Legal Service Corporation and 29 insurance companies which have qualified to include prepaid legal plans in their product line. Nearly 7,000 agents are currently licensed to offer prepaid legal plans in Texas. This relatively new industry is growing steadily. The prepaid legal unit is charged not only with the review of all plans and rates, but also the coordinating of all regulatory activities within the agency and the communication with the public.

Figure 39. Summary of Activity - Prepaid Legal

Activity	FY 87	FY 88
Forms Received	161	35
Forms Completed	216	32
Telephone Calls	638	817
Board Hearings	2	5

Continuing Care Retirement Communities: CCRCs were first required to be licensed under H.B. 677, Acts of the 70th Legislature. CCRCs operate facilities that provide board and lodging to residents together with personal care service, nursing services, medical services or other health-related services. Residents are usually required to pay a substantial entrance fee. One facility was licensed under emergency rules that were adopted in Fiscal Year 1988. Permanent rules were published in late Fiscal Year 1988. As of the close of the fiscal year, this unit had received 153 inquiries and three CCRCs had filed disclosure statements.

Premium Finance: Premium finance companies, licensed under provisions of Chapter 24, Tex. Ins. Code, can be an independent finance company, an insurance agent or a financial institution such as a bank. It is the job of the Premium Finance unit to license, examine, investigate and regulate the 437 licensed premium finance companies in Texas. The amount of premium loans financed in Texas in calendar year 1987, the latest year for which complete data is available, was $836 million.

Figure 40. Summary of Activity - Premium Finance

Activity	FY 87	FY 88
New Licenses Issued	72	34
Licenses Renewed	450	425
Examinations Completed	97	112
Annual Reports Analyzed	459	431
Complaints Investigated	337	134

FINANCIAL

During Fiscal Year 1988, the Corporate and Financial program was enlarged by the addition of the Conservation and Liquidation activities to its scope. The program was renamed as the Financial program.

As of August 31, 1988, the Financial program consisted of the following activities: (1) Corporate Affairs, which included the Examinations and Corporate Activities divisions: (2) Reserve Actuaries; (3) Conservation and (4) Liquidation.

CORPORATE ACTIVITIES

The Corporate Activities division is divided into three sections: (1) Holding Company and Acquisitions, (2) Financial Analysis and (3) Admissions.

Holding Company and Acquisitions

This section is responsible for administration of the Insurance Holding Company Act. In this capacity, it maintains registration statements of controlled insurance companies, examines transactions between insurance companies and their affiliates, reviews mergers and acquisitions of control and reviews the valuation of investments in subsidiaries and affiliates.

The Holding Company Section reviewed 513 registration statements during Fiscal Year 1988 and received 720 applications for consideration of transactions with affiliates, acquisition of control and exemption from acquisition of control. During this same period, 639 pending applications were closed.

The 639 pending applications closed in Fiscal Year 1988 fell into the following categories:

- Issuance of surplus debentures, payments of money advanced, dividends and distributions to shareholders and consolidated tax returns - 229.
- Transactions involving management, service, cost sharing, data processing and lease arrangements - 161.
- Deposits in affiliated financial institutions, investment in affiliates, pledge of assets, purchase of securities, treasury stock, loans and real estate - 89.
- Reinsurance arrangements - 81.
- Acquisition of control and exemption from acquisition of control - 79.

Public hearings were held to consider 41 acquisitions, 12 mergers and 7 reinsurance agreements.

The aggregate consideration paid for the acquisition of control of domestic insurance companies during the fiscal year was approximately $163,756,000.

The Holding Company and Acquisitions section also administers the Insurance Company Insider Trading and Proxy Regulation Act and assists in the review of applications under the Asset Protection Act. During the fiscal year, 141 insider trading reports and 18 proxy solicitations were received and reviewed.

Financial Analysis

This section is responsible for analyzing the annual statements required of all companies licensed to do business in Texas. It also reviews interim financial reports when these are deemed necessary. Complete reviews are conducted on a continuing basis.

Analysts reviewed more than 2,250 annual statements in Fiscal Year 1988 and monitored approximately 300 insurers which were required to file financial reports more frequently than once a year.

Annual statements filed by insurers in Fiscal Year 1988 reflected $25,928,307,081 in premiums and $14,431,231,445 in claims payments applicable to Texas policyholders. The statements also showed that insurance companies operating in Texas had aggregate assets on a nationwide basis of $1,451,170,362,987, liabilities of $1,284,914,952,842 and capital and surplus of $166,255,410,145.

Additionally, this section reviewed 850 financial statements in connection with applications to issue policyholder dividends or to offer rate deviations to policyholders.

Admissions

This section reviews applications filed by out-of-state insurance companies seeking to be admitted to do business in Texas. During Fiscal Year 1988, 65 such applications were approved or withdrawn, resulting in a total of $148,658 in admission fees.

Field Examination

This division is responsible for performing the examinations required by Articles 1.15 and 1.17, Tex. Ins. Code.

Examinations are necessary to determine the financial condition of corporations, firms and persons writing insurance of any kind in this state, including their ability to meet all of their liabilities. Examinations also are necessary to assure the compliance of these entities with the laws of Texas affecting the business of insurance.

The Field Examination division analyzes the results of each examination and recommends appropriate regulatory action where necessary. The division is actively involved in determining statutory insurance accounting principles and procedures.

The division is directly supervised by the Chief Examiner, who is appointed by the Board under the provisions of Article 1.17, Tex. Ins. Code. Other personnel include a headquarters assistant chief examiner, four field assistant chief examiners, approximately 80 field examiners and 10 headquarters support personnel. Field examiners are headquartered in the North Texas, Central Texas and South Texas zones and work under the supervision of a field assistant chief examiner located in each zone.

The passage of H.B. 40, Acts of the 69th Legislature, resulted in the early retirement of a number of veteran employees, including the Chief Examiner, the headquarters assistant chief examiner and many senior field examiners. The loss was partly offset by the implementation of new procedures and the acquisition of electronic data processing equipment which reduced the time required for each examination. As a result, the 338 examinations conducted during Fiscal Year 1988 represented a 50 percent increase over the 223 examinations performed in the previous fiscal year.

The managers of this division have begun rebuilding a professional examination force. Approximately 40 new examiners were hired during Fiscal Year 1988, and new training programs have been designed.

Reinsurance

In a reorganization that took effect on June 1, 1988, the Board established a Reinsurance division to be responsible for the regulation of a Texas Insurance Exchange in the event one is created. During Fiscal Year 1988, there was an absence of market problems of sufficient magnitude to warrant establishment of the exchange. As a result, the Reinsurance division was not staffed during Fiscal Year 1988.

CONSERVATION

The Conservation activity is responsible for the rehabilitation of financially troubled insurance entities by means of supervision and conservatorship. A company in supervision must submit all of its financial transactions for approval by the supervisor designated by the Commissioner of Insur-

ance. When a company is placed in conservatorship, the conservator appointed by the Commissioner is responsible for conducting all of the business of the company.

The chief purpose of supervision and conservatorship is the prevention of economic loss to Texas policyholders by restoring their insurers to financial health. During supervision and conservatorship, the Conservation activity performs financial and operational analyses to identify a company's problem areas and takes remedial steps to return the entity to a sound financial basis, if possible.

Under some circumstances, entities other than licensed insurance companies may be placed in supervision or conservatorship. These include certain insurance agencies and unauthorized or alien insurers.

In Fiscal Year 1988, the Commissioner placed 25 entities into supervision; eight of these subsequently went into conservatorship. These 25 entities included 14 domestic insurance companies, one foreign company, six agencies and four unauthorized or alien insurers. During the year, three domestic companies were rehabilitated and released from supervision or conservatorship; five domestic companies and two agencies were moved out of rehabilitation and into receivership; and one agency went into bankruptcy.

At the close of Fiscal Year 1988, 15 insurance entities were in supervision and 18 were in conservatorship, compared with 20 supervisions and 21 conservatorships at the end of Fiscal Year 1987. Additional information is contained in Part III of this report.

New positions funded by the 70th Legislature enabled the Conservation activity to administer all supervisions and conservatorships with state employees, thereby avoiding the use of outside consultants who must be paid from company resources. All entities placed into rehabilitation during the fiscal year were maintained by state employees instead of hired consultants. This resulted in savings of $1,125,000 to financially troubled insurance entities.

In addition, the assignment of attorneys directly to Conservation enabled the activity to deal more effectively with hearings, appeals, court injunctions, restraining orders and other litigation. During Fiscal Year 1988, the Conservator's staff handled more contested hearings than ever before in the history of the SBI.

RESERVE ACTUARIES

Formerly called "Life Actuaries," this activity performs actuarial duties related to life insurance, annuities and accident and health insurance. It consists of three divisions: (1) Actuarial Analysis, (2) Field Actuarial and (3) In-House Actuary.

Field Actuarial

This division reviews reserve liabilities and other actuarial matters in connection with the field examination of legal reserve life insurance companies, fraternal benefit societies and stipulated premium companies domiciled in Texas. This work normally is performed at the home offices of the companies. In addition, the Field Actuarial division makes special audits and annual reserve valuations at the home offices of the 11 largest companies domiciled in Texas. During Fiscal Year 1988, this division completed examinations of 154 companies.

Actuarial Analysis

This division audits and verifies the annual valuation reports of reserve liabilities filed by legal reserve life insurance companies and stipulated premium companies domiciled in Texas. Its duties also include the analysis of actuarial items contained in the annual statements of these companies, including non-ledger policy assets, reserve liabilities and the *Statement of Actuarial Opinion* signed by a qualified actuary. During Fiscal Year 1988, 319 reserve valuation reports were verified and 275 *Statements of Actuarial Opinion* were analyzed by this division.

In-House Actuary

The In-House Actuary performs actuarial services as required by statute or regulation or as specifically requested by the Board, the Commissioner or the Senior Deputy Commissioner, Financial. The division assists other staff members with matters of an actuarial nature. During Fiscal Year 1988, this division worked on 190 separate actuarial projects. In addition, the division studied the use of data processing equipment to perform some functions of the Life Actuaries activity such as verification of reserve valuation reports.

LIQUIDATION

The primary responsibilities of the Liquidator/Receiver, as set forth in Articles 14.33 and 21.28, Tex. Ins. Code are:

1. The rehabilitation, when feasible, of companies in receivership and certain entities in conservatorship;
2. The orderly administration of receivership estates and those conservatorship estates that are placed in under the control of the Liquidator/Receiver;
3. The conservation of company assets and, insofar as possible, the minimization of liabilities;
4. The protection of the assets of policyholders and claimants of insurance entities placed in liquidation;
5. The distribution of available assets to persons who establish a legal right to these funds;
6. The conclusion of the affairs of receivership estates and, where applicable, conservatorship estates under the direction and order of the appropriate receivership court and/or the Commissioner of Insurance.

The Liquidation activity is headed by the Liquidator/Receiver and consists of five divisions: Administrative Services, Auditing, Fiscal Services, Legal Services and Insurance Services. The responsibility for claim payments, policyholder services and agent collections lies with the Insurance Services division.

Guaranty association contributions and the assets of the various receivership estates provide about 82 percent of the funds for the operation of this activity. The balance of Liquidation's budget is funded by legislative appropriations.

During Fiscal Year 1988, 25 receiverships were ordered by district courts of Travis County. Two receiverships were closed. Active receiverships totaled 131 as of August 31, 1988. At the beginning of the Fiscal Year, 438 lawsuits were pending. During the year, 227 lawsuits were filed and 131 were closed, leaving a balance of 534 lawsuits still in litigation at the close of Fiscal Year 1988.

Additional information about the operations of the Liquidation activity is contained in Parts III and V of this report.

COMPLIANCE

LEGAL SERVICES

The Legal Services activity is responsible for representing the SBI staff in the administrative process on an attorney/client basis. It also provides a variety of other forms of legal assistance to the agency.

Attorneys in this activity:

- Participate in all Board and Commissioner's hearings and meetings in which legal support is requested or required.
- Accumulate, prepare and present evidence as needed in such hearings.
- Participate in conferences with staff members, consumers and representatives of insurers in preparation of matters requiring legal support.
- Prepare Board and Commissioner orders in contested case hearings and administrative rulemaking matters.
- Draft rules and regulations for consideration by the Board.
- Respond to requests from the Board, the Commissioner and agency staff members for legal assistance and opinions.
- Assist the Attorney General in preparation of court cases referred to him by the State Board of Insurance and in defending lawsuits against the Board.

A substantial increase in staff during Fiscal Year 1988 enabled Legal Services to encourage development of specialized expertise among its attorneys. The legal staff was divided along functional lines. A separate Enforcement Division was created. Legal support staff were assigned directly to the agency's various operating divisions.

A special unit also was created to train newly hired attorneys in both administrative law and the Texas Insurance Code. The purpose of this action was to enable the agency's more experienced lawyers to devote their efforts entirely to their caseloads without having to assist in on-the-job training of newcomers.

The creation of a division devoted exclusively to disciplinary cases and other enforcement activities contributed significantly to increasing productivity. During Fiscal Year 1987, approximately two disciplinary hearings were held per week. By the end of Fiscal Year 1988, this number had increased to approximately 15 per week. One result was a substantial increase in the number of agent licenses revoked because of violations of the Texas Insurance Code. During Fiscal Year 1988, the Commissioner signed orders revoking 79 agents' licenses, compared with 33 revocations in Fiscal Year 1987.

Figure 41. Summary of Activity - Legal Services

	FY 87	FY 88
Cases received	1,130	1,282
Hearings	490	744
Orders Prepared	627	875
License Revocations	33	79
Monetary Forfeitures Assessed (Approximately)	$ 421,000	$ 432,000
Complaints/Inquiries Concluded	8,500	9,240

MARKET CONDUCT

The Market Conduct activity was established pursuant to an organizational pattern authorized by the 70th Legislature in the passage of the General Appropriations Act (S.B. 1, Acts of the 70th Legislature, 2nd Called Session).

Market conduct consists of three division: (1) Complaints, (2) Advertising and (3) Market Conduct Examinations.

Complaints

The Complaints division provides assistance to policyholders, claimants and the general public in several ways. It examines and analyzes all complaints dealing with the claims-handling practices of licensed insurance companies. Despite the division's lack of statutory authority to settle bona fide claim disputes, the fact that the State Board of Insurance reviews complaints and business practices frequently results in a more thorough review of particular claims by the insurance companies involved. These cases often conclude with a more satisfactory resolution of the issues raised by the complaining policyholders and claimants. During Fiscal Year 1988, the complaints process resulted in insurers making an additional $13,852,748 in claims payments.

Although it is preferred that complaints be written, the division in Fiscal Year 1988 began accepting telephoned complaints from persons whose disabilities make it difficult, if not impossible, to write letters. Staff members record the essential details of such complaints on written forms, which are mailed to the complaining parties for signature.

Closed complaint cases are tabulated by company, type of complaint, reason for complaint and disposition. A monthly statistical report indicates trends in complaints and provides a basis for comparing the management of companies writing similar lines of insurance. An abnormal change in the type or number of complaints might be symptomatic of financial or other problems within a company. When a significant increase in complaints occurs, the insurer is required to explain the reason for the increase and describe how company management intends to correct problems that exist.

Because of the special problems that older Texans might have with insurance, a new section called Senior Issues and Concerns was created in Fiscal Year 1988. Consisting of four insurance examiners and support staff, this section is developing a specialized expertise in the insurance problems of senior citizens and the insurance products marketed to this segment of the population.

The Complaints division's staff also had the responsibility of answering calls on the State Board of Insurance's toll-free consumer telephone line. Between 2,500 and 3,000 calls are received each month. At the beginning of the fiscal year, two lines were in place. A third line was added during Fiscal Year 1988 after reports indicated that many consumers received busy signals when they used the toll-free line. The adition of the third toll-free line was a major contributing factor to the 45.5 percent increase in the number of telephone inquiries handled by this division. In addition, a list of commonly asked questions and suggested answers was developed to assure correct and consistent responses by staff members who answer calls coming in over the consumer line.

Figure 42. Summary of Activity - Complaints

	FY 87	FY 88
Life, Accident & Health Complaints Resolved	13,985	14,064
Property & Casualty Complaints	9,254	7,758
Total Complaints Resolved	23,239	21,822
Telephone Inquiries Handled	73,027	106,266
Additional Monies Collected:		
Life, Accident & Health	7,030,487	7,965,730
Property & Casualty	5,542,247	5,887,018
TOTAL	12,572,734	13,852,748

Advertising

The Advertising division is responsible for reviewing advertisements intended for distribution through all forms of print and electronic media for compliance with Texas Insurance Code provisions and Board regulations. Advertisements are submitted voluntarily by insurers, are requested by the Advertising division and are transmitted to this agency by members of the public.

Staff increases and procedural changes during Fiscal Year 1988 enabled the division to reduce the backlog of advertisements for review from two years to one year and seven months.

The procedural changes are as follows:

1. Filings are screened immediately when they arrive to determine if there is a substantial likelihood that they violate Texas statutes and rules. If so, the filing is reviewed out of order.

2. Advertisements that fall into categories that must be reviewed prior to their use in Texas are reviewed immediately.

3. When an ad filing is reviewed, regardless of its age, the company is asked for a copy of the latest version of the ad, even in rough draft. This assures that review is based on the most current rendition of the material.

During Fiscal Year 1988, the division placed special emphasis on investigating mailings designed to generate leads which are sold to agents and companies. Forty-six entities were investigated; two involving licensed insurers were referred to the Legal Services activity for disciplinary action, and 12 were referred to Unauthorized Insurance for further investigation.

In addition, the division communicated with six insurers concerning potential violations contained in television advertisements featuring well-known actors. With funds appropriated by the 70th Legislature, the division has purchased a videocassette recorder to help with its monitoring of television advertising.

Figure 43. Summary of Activity - Advertising

	FY 87	FY 88
Advertising Filings Received	2,360	2,684
Advertising Filings Accepted	2,180	2,142

Market Conduct Examination

In response to a request from the Board, the 70th Legislature approved funding to create a new division that will perform market conduct examinations of insurance companies. These examinations are designed to determine how an insurer deals with its policyholders and the public through its advertising, complaint handling and consumer services. Examiners also review company records and other sources of information to determine compliance with provisions of the Texas Insurance Code and Board rules relating to market conduct. During Fiscal Year 1988, a staff of 10 examiners was recruited, and the first two market conduct examinations were initiated.

UNAUTHORIZED INSURANCE

The Unauthorized Insurance activity reviews, evaluates and investigates all complaints or reports of possible violations of Article 1.14-1, Tex. Ins. Code. This article describes the business of insurance and prohibits unlicensed insurance entities from conducting business in Texas, subject only to those exceptions provided by law. The Unauthorized Insurance activity coordinates efforts both within the SBI and with other governmental agencies to identify and take measures against unauthorized insurers. The activity also recommends necessary actions to the Commissioner of Insurance. These include referral of cases to the Office of the Attorney General for injunctive relief and receivership.

Responsibilities placed on the SBI by Article 1.14-1, Tex. Ins. Code include protecting the public from victimization by unauthorized insurance operations. They also include protection of legitimate insurers from unfair and unregulated competition. Finally, these duties include collection of any taxes that may be due from unauthorized insurers, except eligible surplus lines insurers.

The activity answers citizen complaints, supports the Attorney General's office in the litigation process and cooperates with the Liquidation Division as required or requested in administering the estates of unauthorized insurance activities placed in receivership.

Additional funding provided by the 70th Legislature provided additional investigators, including two with financial backgrounds, as well as an expanded capability to travel to places where unauthorized operations are believed to be headquartered.

Final judgments were entered in the following cases in Fiscal Year 1988: American National Warranty; North American Insurance Co. *et al;* American Real Estate Association, *et al;* New England International Surety, *et al* (a portion of State of Texas vs. Dynaspan *et al);* Norman Cowart *et al* (appeal pending); and Southern International Insurance Co., Ltd.

Monetary judgments in these cases totaled $3,049,130 in penalties, taxes, court costs and fees.

In addition, Texans victimized by unauthorized insurers had $2.5 million made available to them in settlement refunds and claims payments during Fiscal Year 1988.

A major project of the activity during Fiscal Year 1988 involved investigations of unlicensed entities that generate "lead cards" for insurance companies and agents by sending materials through the mail, primarily to older Texans. In addition, the SBI extended its cooperation to the Attorney General in addressing this problem. These investigations were conducted in cooperation with the Advertising division. A total of 18 lead card cases were under investigation by Unauthorized Insurance at the close of Fiscal Year 1988.

The 70th Legislature provided the activity a significant new tool by granting subpoena power to the Commissioner and the Board. This greatly enhanced the ability of the SBI to obtain necessary discovery before referring unauthorized insurance matters to the Attorney General. As a result of this discovery, many entities have confessed fully regarding their activities and have agreed voluntarily to cease conducting unauthorized insurance activities.

Figure 44. Summary of Activity - Unauthorized Insurance

	FY 87	FY 88
Site Visits and Examinations	82	180
Cases Referred for Injunctive Relief	4	5
Cases Concluded	19	42
Telephone and Personal Conferences with the Public	3,368	3,968

STATE FIRE MARSHAL

The fire problem in Texas is significant in size and severity and continues to grow as the state population grows. Additionally, fire problems increase whenever the economy becomes unstable, as it has in Texas in recent years.

During 1987, the most recent year for which data is available, an extension of data collected by the Texas Fire Incident Reporting System (TEXFIRS) reveals that 132,835 fires were experienced in this state. These fires killed 322 people, injured an estimated 3,509 and destroyed at least $486,881,000 in property.

The objective of the State Fire Marshal's Office is to reduce the incidence and severity of fires, fire deaths and injuries in the state. Coordination, training and technical support are provided to municipal and rural fire departments, law enforcement agencies, federal and state agencies, as well as other organizations with a need for, or interest, in fire safety. Response is made to requests for assistance from local officials in the investigation of fire incidents and prosecution of arson suspects. Facilities are inspected for fire hazards, and guidance and direction are provided in hazard removal. Regulation and licensing of fire extinguisher, fire alarm, fire sprinkler system and fireworks industries are accomplished in accordance with statutory requirements. The authority for the State Fire Marshal's public safety efforts is included in the following statutes, many of which were recodified by the 70th Legislature:

Government Code, Title 4

1. 417.001 State Fire Marshal Defined
2. 417.002 State Fire Marshal, Appointment and Tenure
3. 417.003 Status as a Commissioned Officer
4. 417.004 General Powers and Duties
5. 417.005 Adoption of Rules
6. 417.006 Arson Investigators
7. 417.007 Investigation of Fire
8. 417.008 Inspections - Examination and Correction of Dangerous Conditions
9. 417.009 Delegation of Authority

Texas Insurance Code

1. 5.43-1 Fire Extinguishers
2. 5.43-2 Fire Alarms
3. 5.43-3 Fire Sprinklers
4. 5.43-4 Fireworks
5. 5.46 Arson Reporting Immunity
6. 5.25 Fire Data Collection

Safety Code, Title 133

1. 9201 Flammable Liquids at Retail Service Stations

Vernon's Ann. Civ. St

1. Title 63, 3955-3972c Texas Fire Escape Law
2. 6145-14 State Capitol Inspection

During the past year, a number of improvements and changes have been made within this office:

- Seven additional Deputy State Fire Marshals were hired, completed extensive training late in the fiscal year, and have reported to their regional headquarters. Improvement in arson investigation and fire safety inspection activities should be noticed in future months.
- An internal realignment of the division was accomplished and a new Assistant State Fire Marshal for Operations position was established. Additionally, the formerly separate "Arson

Investigator" and "Fire Safety Inspector" employee classifications have been combined into a new "Deputy State Fire Marshal" series which will provide for increased productivity through cross-training with clear incentives and methods for advancement.

- TEXFIRS raw fire data, which is now being received regularly from 321 city fire departments representing 70 percent of the Texas population, has improved markedly. The data entry backlog has been reduced from three months to less than six weeks through the accommodation of data submission on diskettes. Requests for data analysis are now scheduled and completed on a timely basis.
- A computerized license tracking system was implemented and has greatly improved the quality control of license issuing procedures. The average time for license issuance is now 17 days.
- A condensed yet comprehensive guide for license applicants was developed and disseminated, further streamlining the licensing process by reducing applicant errors/omissions and reducing queries and/or assistance requests.
- A second staff attorney was hired in mid-year. So far the focus of his effort has been to reduce a large backlog of disciplinary actions involving licensed companies. It is anticipated that these improved enforcement efforts will result in a significantly greater degree of compliance within the affected industries.

General Management

It is the responsibility of this office to supervise, coordinate, administer and monitor all functions and activities to assure efficient operation and sound application of and adherence to statutes, codes, rules, regulations and orders. Statistics on fire loss, death and injury data are collected, tabulated, analyzed and provided to the fire service, the general public, and used in the development of internal programs.

Figure 45. State Fire Marshal - General Management - Summary of Activity

	FY 87	FY 88
Telephone requests for assistance/ Information	42,908	46,621
Correspondence	221,377	209,069
Forms, Pamphlets, Etc. Disseminated	234,000	278,022
Hearings	78	24
Fire Marshal Orders	40	12

Arson Investigation and Inspection

Arson Investigation: This Activity provides, upon request, investigation by licensed peace officers of any fire, to determine the origin, cause and circumstances; and to identify guilty parties in arson fires, assist in their arrest and prosecution and give court testimony, as required.

Figure 46. State Fire Marshal - Arson Investigation and Inspection - Summary of Activity

	FY 87	FY 88
Investigations Requested	467	451
Investigations Conducted	382	349
Follow-up Investigations Conducted	559	404
Findings:		
Accidental	83	80
Undetermined	59	117
Suspicious	51	7
Arson	189	145
Vandalism	0	0
Arson Cases Filed:	45	68
Indictments	52	60
Convictions	38	28
Investigation Training Programs Conducted	9	17

Fire Safety Inspection: This activity conducts fire and life safety inspections of various occupancies as mandated by statute. Inspection of mercantile, manufacturing and public buildings, and places of public amusement or assembly are conducted upon complaint or request pursuant to Government Code, Title 4, Chapter 417.008. Inspections of the Texas State Capitol Building are performed in accordance with Article 6145-14, V.T.C.S. Inspection of the storage, handling and use of flammable liquids at retail service stations and operation of mobile service units are conducted in accordance with Safety Code, Title 133, Article 9201. Fire escapes in certain buildings of three or more stories and schools of two or more stories are inspected to determine compliance with Title 63, Article 3955-3972c, V.T.C.S. In addition, this division reviews plans for new or remodeled jails at the request of the Jail Standards Commission. Hazards or discrepancies discovered are monitored for compliance by remedy or removal.

Figure 47. State Fire Marshal - Fire Safety Inspections - Summary of Activity

	FY 87	FY 88
Inspections Requested	484	686
Inspections Completed (Includes self-initiated)	1,087	1,288
Reinspections Made	1,994	1,102
Buildings Inspected by Occupancy Type:		
Assembly	672	728
Education	775	2,187
Health Care	39	36
Penal	49	41
Residential	1,310	802
Mercantile	459	433
Business	948	790
Industrial	61	64
Storage	119	53
Other	48	76
Mixed	24	54
TOTAL	4,504	7,111
Inspections of Flammable Liquids Facilities	256	382
Inspections of Fireworks Facilities/Display Sites	22	111
Review of Plans for New/Remodeled Jails	64	78

Licensing

This activity is responsible for registering companies and licensing individuals, as required by statute, and for the verifying of applicants' qualifications through examination and application evaluation. Fire alarm, fireworks, fire sprinkler system and fire extinguisher companies are registered; certain fire extinguisher, fireworks, fire sprinkler system, and fire alarm company employees are tested and licensed; and various types of fireworks licenses and permits are issued. Inspections of companies are made and investigations are conducted on suspected violations.

STATE FIRE MARSHAL
LICENSE SUMMARY

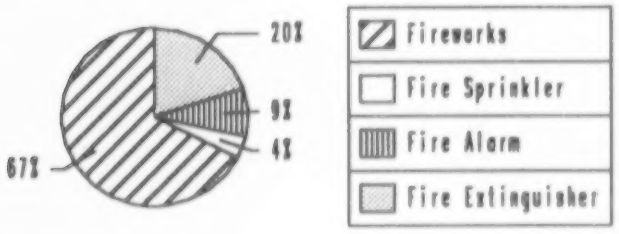


Figure 48. State Fire Marshal License Summary

	New	Renewal	Total
Fire Extinguisher			
Certificates of Registration (CR)	51	258	309
Branch Office CR	1	30	31
Hydrostatic Testing CR	9	55	64
Licenses	200	1,047	1,247
Apprentice Permits	52		52
Subtotals	313	1,390	1,703
Fire Alarm			
Certificates of Registration (CR)	47	176	223
Branch Office CR	11	50	61
Technician Licenses	98	363	461
Subtotals	156	589	745
Fire Sprinkler			
Certificates of Registration (CR)	27	104	131
RME Licenses	33	177	210
Subtotals	60	281	341
Fireworks			
Manufacturer's Licenses		2	2
Distributor's Licenses	2	18	20
Jobber's Licenses	1	17	18
Importer's Licenses	4	19	23
Pyrotechnic Operator's Licenses	32	382	414
Display Licenses	4	2	6
Display Permits	342		342
Retail Permits	4,950		4,950
Subtotals	5,335	440	5,775
GRAND TOTALS	5,864	2,700	8,564

Figure 49. Examination and Renewal Notices

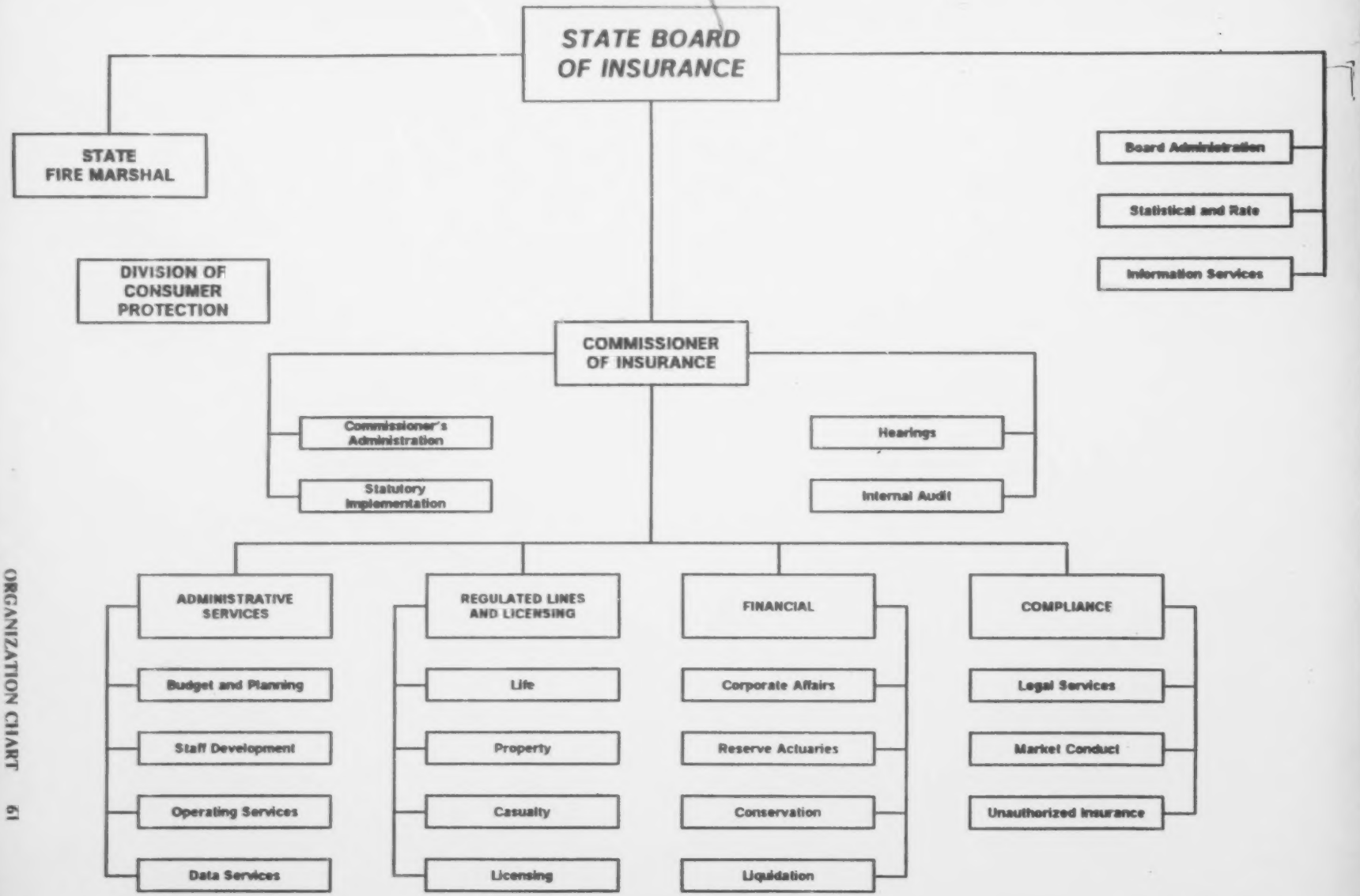
	Examinations	Renewal Notices
Fire Extinguisher	326	1,823
Fire Alarm	154	765
Fire Sprinkler	45	359
Fireworks	31	447
TOTALS	556	3,394

Figure 50. State Fire Marshal - Investigations and Disciplinary Actions

	Fire Alarm	Fire Extinguisher	Fire Sprinkler	Fire-Works	Total
Requests for Investigations	45	66	24	10	145
Investigations Conducted	47	72	24	13	156
Follow-up Investigations Conducted	26	35	12	4	77
Investigation Files Closed	22	22	13	8	65
Company Inspections Conducted	5	12	0	75	92
Follow-up Inspections Conducted	2	0	0	9	11
Inspection Cases Closed	1	5	0	10	16
Cases Filed for Admin. Action	15	37	6	3	61
Hearings Conducted	1	2	0	0	3

ORGANIZATION CHART

STATE BOARD OF INSURANCE ORGANIZATION CHART



Effective June 1, 1988

PART II - REPORT ON LICENSE ACTIVITY OF INSURANCE COMPANIES ADMITTED IN TEXAS

Figure 51. Types and Totals of Companies Licensed In Texas as of August 31, 1988

	DOMESTIC	FOREIGN	TOTAL
Stock Life Insurance Companies	297	651	948
Mutual Life Insurance Companies	4	86	90
Stipulated Premium Life Insurance Companies	65		65
Non-Profit Life Insurance Companies		1	1
Stock Fire Insurance Companies	4	7	11
Stock Fire & Casualty Insurance Companies	112	581	693
Mutual Fire &/or Casualty Insurance Companies	8	70	78
Stock Casualty Insurance Companies	7	49	56
Mexican Casualty Insurance Companies		9	9
Lloyds	91	1	92
Reciprocal Exchanges	13	14	27
Fraternal Benefit Societies	12	28	40
Title Insurance Companies	6	15	21
Non-Profit Legal Services Corporations	1		1
Health Maintenance Organizations	34		34
Risk Retention Groups	2		2
Continuing Care Retirement Communities	1		1
TOTAL	657	1,512	2,169
Statewide Mutual Assessment Life, Health and Accident Insurance Companies	2		2
Local Mutual Aid Associations	39		39
Burial Associations	16		16
Exempt Associations	14		14
Non-Profit Hospital Service Corporations	1		1
County Mutual Fire Insurance Companies	25		25
Farm Mutual Fire Insurance Companies	25		25
TOTAL	122		122
GRAND TOTAL	779	1,512	2,291

Figure 52. New Companies Organized or Admitted to Texas Between September 1, 1987 and August 31, 1988

	DOMESTIC	FOREIGN	TOTAL
Stock Life Insurance Companies	2	18	20
Mutual Life Insurance Companies		2	2
Stock Fire & Casualty Ins. Companies	4	16	20
Mutual Fire & Casualty Ins. Companies		2	2
Stock Casualty Insurance Companies		5	5
Lloyds	4		4
Reciprocal		1	1
Health Maintenance Organizations	3		3
Title Companies		1	1
Risk Retention Groups	1		1
Continuing Care Retirement Communities	1		1
TOTAL	15	45	60

Figure 53. Reconciliation

Companies Licensed as of August 31, 1987	2,294
Companies Organized or Licensed During Year	60
	2,354
Less Companies Reinsured, Merged, Withdrawn, Dissolved, Redomesticated, or Placed in Permanent Receivership During Year	63
Companies Licensed as of August 31, 1988	2,291

New Domestic Companies Organized or Admitted in Texas Between September 1, 1987, and August 31, 1988

Date Licensed	*Stock Life Insurance Companies*
07-01-88	Metlife Insurance Company of Texas Austin, Texas
12-10-87	Texas Hospital Life Insurance Company Austin, Texas

Date Licensed	*Stock Fire and Casualty Insurance Companies*
05-24-88	Cumberland Casualty & Surety Company Pasadena, Texas
12-21-87	Financial Insurance Company of America Houston, Texas
01-04-88	Millenial Assurance of America, Inc. Houston, Texas
11-20-87	Western Indemnity Insurance Company Austin, Texas

Date Licensed	*Lloyds*
07-26-88	Allstate Texas Lloyd's Irving, Texas
02-29-88	Amerisure Lloyds Dallas, Texas
02-11-88	Preferred Risk Lloyds Insurance Company Dallas, Texas
04-01-88	Windsor Lloyds Dallas, Texas

Date Licensed	*Health Maintenance Organizations*
01-21-88	Amerident Corporation Irving, Texas
06-03-88	Denticare, Inc. Sugarland, Texas
04-29-88	Sanus Dental Plan of Texas, Inc. Irving, Texas

Date Licensed	*Risk Retention Groups*
01-08-88	LPG Risk Retention Group Insurance Company Dallas, Texas

Date Licensed	*Continuing Care Retirement Communities*
08-29-88	Memorial Senior Services, Inc. dba University Place Houston, Texas

New Foreign Companies Organized Or Admitted to Texas Between September 1, 1987 and August 31, 1988

Date Licensed	*Stock Life Insurance Companies*
07-15-88	American Centurion Life and Accident Insurance Company San Rafael, California
03-17-88	American Franklin Life Insurance Company Springfield, Illinois
03-30-88	Columbus Life Insurance Company Columbus, Ohio
05-24-88	Companion Life Insurance Company Columbia, South Carolina
08-24-88	Continental Investors Life Insurance Company Englewood, Colorado
05-12-88	Continental Life Insurance Company of Brentwood Brentwood, Tennessee
07-22-88	Frontier National Life Insurance Company Cleveland, Ohio
06-15-88	Hamilton National Life Insurance Company Farmington Hills, Maine
08-10-88	Health and Life Insurance Company of America Denver, Colorado
06-30-88	Homeshield Insurance Company Oklahoma City, Oklahoma
07-15-88	Jackson National Life Insurance Company Lansing, Michigan
12-02-87	Liberty American Assurance Company Lincoln, Nebraska
12-02-87	Lincoln Mutual Life Insurance Company Lincoln, Nebraska
06-20-88	Middle Atlantic Life Insurance Company Wayne, Pennsylvania
10-15-87	National Dental Health Insurance Company Tempe, Arizona
04-07-88	National Group Life Insurance Company Chicago, Illinois
03-11-88	Providential Life Insurance Company North Little Rock, Arkansas
12-02-87	Standard Life and Casualty Insurance Company Rock Hill, South Carolina
04-07-88	State Mutual Insurance Company Rome, Georgia
01-08-88	Western United Life Assurance Company

Spokane, Washington

Date Licensed	***Stock Fire & Casualty Insurance Companies***
05-20-88	Aetna Casualty and Surety Company of America Hartford, Connecticut
08-03-88	Alaska Pacific Assurance Company Anchorage, Alaska
12-29-87	American Merchants Casualty Company Minneapolis, Minnesota
05-09-88	Atlantic Casualty & Fire Insurance Company Columbia, South Carolina
08-19-88	Bankers Insurance Company St. Petersburg, Florida
09-10-87	Connecticut General Fire & Casualty Insurance Company Bloomfield, Connecticut
09-10-87	Country Casualty Insurance Company Bloomington, Illinois
01-21-88	Economy Premier Assurance Company Freeport, Illinois
09-10-87	Great Midwest Insurance Company Byron Center, Michigan
08-03-88	International Cargo and Surety Insurance Company Albuquerque, New Mexico
11-02-87	Penn Casualty Insurance Company Wilmington, Delaware
06-15-88	Phoenix General Insurance Company Hartford, Connecticut
12-18-87	Redland Insurance Company Council Bluffs, Iowa
10-01-87	Transamerica Insurance Company of Michigan Battle Creek, Michigan
05-24-88	Transamerica Reinsurance Company Omaha, Nebraska
10-08-87	WGI of Texas, Inc. (Assumed Name of West General Insurance Company) Topeka, Kansas

Date Licensed	***Stock Casualty Insurance Companies***
04-29-88	Casualty Insurance Company of Texas (A/N Casualty Insurance Company) Chicago, Illinois
05-24-88	Eastern Aviation & Marine Insurance Company Frederick, Maryland
02-11-88	Midwest Employers Casualty Company Cincinnati, Ohio
02-11-88	National Assurance Underwriters, Inc.

	Earth City, Missouri
12-21-87	Pacific Compensation Insurance Company San Bruno, California
Date Licensed	***Mutual Casualty Insurance Companies***
02-17-88	Millers National Insurance Company Chicago, Illinois
11-06-87	Mutual Service Casualty Insurance Company Arden Hills, Minnesota
Date Licensed	***Reciprocal Insurance Companies***
02-19-88	Virginia Insurance Reciprocal Glen Allen, Virginia
Date Licensed	***Title Insurance Companies***
12-10-87	Investors Title Insurance Company Chapel Hill, North Carolina

Companies Reinsured, Merged, Dissolved, Withdrawn, Redomesticated or Placed in Permanent Receivership

Between September 1, 1987 and August 31, 1988

Figure 54. Totals - Companies Reinsured, Merged, Dissolved, Withdrawn, Redomesticated or Placed in Permanent Receivership

	Reinsured or Merged	Dissolved or Withdrawn	Redomesticated	Permanent Receivership	TOTAL
DOMESTIC COMPANIES					
Stipulated Premium	1				1
Stock Life	9	7	1	1	18
Stock Fire & Casualty				1	1
Stock Casualty		1			1
Lloyd's				1	1
HMO				2	2
Local Mutual Aid	4				4
Local Mutual Burial	2	1			3
Farm Mutual	1				1
Exempt Association		1			1
TOTAL	17	10	1	5	33
FOREIGN COMPANIES					
Stock Life	4		4	3	11
Stock Fire & Casualty		1	6	6	13
Mutual Fire & Casualty	1	2		1	4
Stock Casualty				1	1
Reciprocal	1				1
TOTAL	6	3	10	11	30
GRAND TOTAL	23	13	11	16	63

Domestic Companies Reinsured, Merged, Dissolved, Withdrawn, Redomesticated or Placed in Permanent Receivership

Between September 1, 1987, and August 31, 1988

Abacus Life Insurance Company, Houston, Texas (Stock Life) voluntarily dissolved (02-17-88)

American-Amicable Life Insurance Company, Dallas, Texas (Stock Life) merged into American General Life Insurance Company, Houston, Texas, (Stock Life) (07-08-88)

Best Lloyd Insurance Company, Houston, Texas, (Lloyds) placed in permanent receivership (05-31-88)

Burks-Walker-Tippet Life Insurance Company, Tyler, Texas, (Local Mutual Burial) reinsured by Mission Life Insurance Company, Houston, Texas, (Stock Life) (03-30-88)

Central Texas Health Plan, Austin, Texas (Health Maintenance Organization) placed in permanent receivership (11-30-87)

Citizens National Bank of Waco Employees Benefit Association, Waco, Texas, (Exempt) voluntarily dissolved (04-25-88)

Commercial Travelers Life Insurance Company, Dallas, Texas, (Stock Life) merged into Investors Heritage Life Insurance Company, Frankfort, Kentucky, (Stock Life) (06-30-88)

Concorde Life Insurance Company, Houston, Texas, (Stock Life) voluntarily dissolved (12-31-87)

Eagle Life Insurance Company, San Antonio, Texas, (Stock Life) placed in permanent receivership (02-03-88)

Equity Services Life Insurance Company, San Antonio, Texas, (Stock Life) merged into Cameron Life Insurance Company, Phoenix, Arizona, (Stock Life) (06-24-88)

Financial Guaranty Life Insurance Company, Wichita Falls, Texas (Stock Life) voluntarily dissolved (12-23-87)

Foley Reserve Life Insurance Company, Houston, Texas, (Stock Life) merged into National Health Insurance Company, Grand Prairie, Texas, (Stock Life) (07-08-88)

Future Security Life Insurance Company, Austin, Texas, (Stock Life) merged into Liberty American Assurance Company, Lincoln, Nebraska, (Stock Life) (12-29-87)

Girling All American Insurance Company, Austin, Texas, (Stock Life) reinsured by Western Reinsurance Company, San Antonio, Texas, (Stock Life) (08-24-88)

Grammier Benefit Association, Port Arthur, Texas, (Local Mutual Aid) reinsured by Texas Imperial Life Insurance Company, Beaumont, Texas, (Stipulated Premium) (07-15-88)

Grammier-Oberle Burial Association, Port Arthur, Texas, (Local Mutual Burial) reinsured by Texas Imperial Life Insurance Company, Beaumont, Texas, (Stipulated Premium) (07-15-88)

Hawkins Service Insurance Company, Jacksboro, Texas, (Local Mutual Aid) reinsured by Funeral Directors Life Insurance Company, Brady, Texas, (Stock Life) (06-24-88)

Interfirst Insurance Company, Dallas, Texas, (Stock Life) merged into Interfirst Life Insurance Company, Dallas, Texas, (Stock Life) (12-21-87)

Mangum Funeral Benefit Association, Center, Texas, (Local Mutual Aid) reinsured by Southern Medical Life Insurance Company, Waco, Texas, (Stipulated Premium) (12-21-87)

Metlife Insurance Company of Texas, Austin, Texas, (Stock Life) merged into Texas Life Insurance Company, Waco, Texas, (Stock Life) (07-27-88)

Metrocare, Euless, Texas, (Health Maintenance Organization) placed in permanent receivership (12-03-87)

New English Life Insurance Company, Mineola, Texas, (Stipulated Premium) reinsured by Vantage Insurance Company, Dallas, Texas, (Stipulated Premium) (12-10-87)

Progressive Bankers Life Insurance Company, Wichita Falls, Texas (Stock Life) voluntarily dissolved (02-29-88)

Regional Life Insurance Company, Houston, Texas, (Stock Life) voluntarily dissolved (10-02-87)

Republic National Life Insurance Company, Dallas, Texas, (Stock Life) merged into American General Life Insurance Company, Houston, Texas, (Stock Life) (07-08-88)

Southeast Indemnity Company, Houston, Texas, (Stock Fire & Casualty) placed in permanent receivership (03-04-88)

SVEA Farm Mutual Fire Insurance Association of Travis County, New Sweden, Texas, (Farm Mutual) merged into Goetha Farm Mutual Fire Insurance Association of Texas, Inc., Round Rock, Texas, (Farm Mutual) (05-24-88)

Texas Livestock Marketing Insurance, Inc., Marlin, Texas, (Stock Casualty) voluntarily dissolved (05-25-88)

Town & Country Life Insurance Company of Texas, Carrollton, Texas, (Stock Life) redomesticated to Utah (12-02-87)

Travis Life Insurance Company, Austin, Texas, (Stock Life) voluntarily dissolved (08-31-88)

Unigard Lloyd's of Texas, Dallas, Texas (Lloyds) voluntarily dissolved (02-24-88)

VHA Enterprises Insurance Company, Irving, Texas, (Stock Life) voluntarily dissolved (08-18-88)

Vidor Memorial Funeral Insurance Company, Vidor, Texas, (Local Mutual Aid) reinsured by Mission National Life Insurance Company, Houston, Texas, (Stipulated Premium) (10-22-87)

Foreign Companies Reinsured, Merged, Dissolved, Withdrawn, Redomesticated or Placed in Permanent Receivership

Between September 1, 1987 and August 31, 1988

Agway Indemnity Insurance Company, Tallahassee, Florida, (Stock Fire & Casualty) redomesticated to Kentucky (12-30-87)

Banner Life Insurance Company, Washington, D.C., (Stock Life) redomesticated to Maryland (06-30-88)

Central Plains Insurance Company, Inc., Hutchinson, Kansas, (Stock Fire & Casualty) redomesticated to California (02-17-88)

Citizens National Assurance Company, Albuquerque, New Mexico, (Stock Casualty) placed in permanent receivership (02-16-88)

Columbia National Life Insurance Company, Columbus, Ohio, (Stock Life) merged into Protective Life Insurance Company, Birmingham, Alabama, (Stock Life) (05-24-88)

Dominion Insurance Company of America, New York, (Stock Fire & Casualty) dissolved (03-30-88)

Enterprise Insurance Company, Los Angeles, California, (Stock Fire & Casualty) placed in permanent receivership (10-30-87)

First Columbia Life Insurance Company, Des Moines, Iowa, (Stock Life) redomesticated to Louisiana (12-02-87)

Georgetown Life Insurance Company, Peoria, Illinois, (Stock Life) reinsured by United Founders Life Insurance Company, Oklahoma City, Oklahoma, (Stock Life) (09-21-87)

Hartford Casualty Insurance Company, Jersey City, New Jersey, (Stock Fire & Casualty) redomesticated to Indiana, (04-25-88)

Inter-Ocean Insurance Company, Indianapolis, Indiana, (Stock Life) redomesticated to Ohio (08-31-88)

Midland Insurance Company, New York, New York, (Stock Fire & Casualty) placed in permanent receivership (09-08-87)

Millers National Insurance Company, Chicago, Illinois, (Mutual Fire & Casualty) merged into Millers-Illinois Insurance Company, (Mutual Fire & Casualty) (02-17-88)

Mission Insurance Company, Los Angeles, California, (Stock Fire & Casualty) placed in permanent receivership (10-30-87)

Mission National Insurance Company, Los Angeles, California, (Stock Fire & Casualty) placed in permanent receivership (10-30-87)

Mission Reinsurance Corporation, Kansas City, Missouri, (Stock Fire & Casualty) placed in permanent receivership (10-30-87)

Motorists Mutual Insurance Company, Columbus, Ohio, (Mutual Fire & Casualty) voluntarily withdrew (10-08-87)

Nebraska Mutual Insurance Company (Assumed name of Farmers Mutual Insurance Company of Nebraska), Lincoln, Nebraska, (Mutual Fire & Casualty) voluntarily withdrew (06-30-88)

National Investors Life Insurance Company, The, Little Rock, Arkansas, (Stock Life) placed in permanent receivership (12-11-87)

New York Underwriters Insurance Company, New York, New York, (Stock Fire & Casualty) redomesticated to Connecticut (08-10-88)

Peninsular Life Insurance Company, Raleigh, North Carolina, (Stock Life) redomesticated to Florida (07-22-88)

PHF Life Insurance Company, Battle Creek, Michigan, (Stock Life) redomesticated to Florida (12-29-87)

Professional Mutual Insurance Company, Kansas City, Missouri, (Mutual Fire & Casualty) placed in permanent receivership (03-11-88)

Providence Life Insurance Company, Johnston, Rhode Island, (Stock Life) merged into Integrated Resources Life Insurance Company, West Des Moines, Iowa, (Stock Life) (03-17-88)

Resources Life Insurance Company, Fort Lee, New Jersey, (Stock Life) merged into Integrated Resources Life Insurance Company, West Des Moines, Iowa, (Stock Life) (03-17-88)

TMIC Insurance Company, Inc., Los Angeles, California, (Stock Casualty) placed in permanent receivership (08-29-88)

Twin City Fire Insurance Company, Minneapolis, Minnesota, (Stock Fire & Casualty) redomesticated to Indiana (04-25-88)

University Life Insurance Company of America, Indianapolis, Indiana, (Stock Life) placed in permanent receivership (12-11-87)

Warner Reciprocal Insurers, Chicago, Illinois, (Reciprocal) merged into Warner Insurance Company, Chicago, Illinois, (02-11-88)

Western Heritage Life Insurance Company, Madill, Oklahoma, (Stock Life) placed in permanent receivership (06-01-88)

Domestic Companies That Have Changed Name, Moved Home Office or Been Reclassified

Between September 1, 1987 and August 31, 1988

Afton Life Insurance Company, San Antonio, Texas, (Stock Life) changed name to Central Financial Life Insurance Company, (04-29-88)

Allied Bankers Life Insurance Company, Dallas, Texas, (Stock Life) moved home office to Fort Worth, Texas, (06-07-88)

American Bankers Insurance Company, Waco, Texas, (Stock Life) changed name to National Financial Insurance Company, (12-31-87)

American Family Life Insurance Company, Austin, Texas, (Stipulated Premium) changed name to American Surety Life Insurance Company, (08-15-88)

American Founders Life Insurance Company, Austin, Texas, (Stock Life) moved home office to Dallas, Texas, (03-30-88)

Amicable Life Insurance Company, Waco, Texas, (Stock Life) changed name and moved home office to National Life and Accident Insurance Company, Houston, Texas, (10-02-87)

Bankers National Life Insurance Company, Austin, Texas, (Stock Life) moved home office to Amarillo, Texas, (07-15-87)

Bankers Standard Fire and Marine Company, Dallas, Texas, (Stock Fire & Casualty) moved home office to Irving, Texas, (02-17-88)

Bissonnet Life Insurance Company, Houston, Texas, (Stock Life) changed name to U. S. Annuity Life Insurance Company, (03-17-88)

Boren Life Insurance Company, Jacksonville, Texas, (Stipulated Premium) changed name and moved home office to Republic Service Life Insurance Company, North Richland Hills, Texas, (11-06-87)

Charter Insurance Company, Houston, Texas, (Stock Life) changed name and moved home office to Nobel Life Insurance Company, Dallas, Texas, (10-08-87)

Coronado Life Insurance Company, El Paso, Texas, (Stock Life) changed name and moved home office to Reliance Standard Life Insurance Company of Texas, Houston, Texas, (12-29-87)

Credit Life Insurance Company of Texas, Dallas, Texas, (Stock Life) changed name to Bankers Service Life Insurance Company, (12-29-87)

Equity American Insurance Company, Dallas, Texas, (Stock Fire & Casualty) moved home office to Irving, Texas, (12-02-87)

First Employees Insurance Company, Irving, Texas, (Stock Casualty) moved home office to Dallas, Texas, (02-17-88)

First of Groves Life Insurance Company, Beaumont, Texas, (Stock Life) moved home office to Dallas, Texas, (09-11-87)

Fort Sam Life Insurance Company, Dallas, Texas, (Stock Life) changed name to First Republicbank Life Insurance Company, (12-10-87)

Gibson National Life Insurance Company, Seagoville, Texas, (Stock Life) moved home office to Dallas, Texas, (03-01-88)

Great American Lloyd's Insurance Company, Farmers Branch, Texas, (Lloyds) moved home office to Richardson, Texas, (07-08-87)

Hillier Insurance Company, Bryan, Texas, (Stipulated Premium) changed name and moved home office to Capitol Security Life Insurance Company, North Richland Hills, Texas, (02-29-88)

Houston National Life Insurance Company, Houston, Texas, (Stock Life) moved home office to Webster, Texas, (10-15-87)

INA of Texas, Dallas, Texas, (Stock Fire & Casualty) changed name and moved home office to Cigna Insurance Company of Texas, Irving, Texas, (01-29-88)

Interfirst Life Insurance Company, Dallas, Texas, (Stock Life) changed name to First Republic Life Insurance Company, (12-21-87)

ISL Life Insurance Company, Dallas, Texas, (Stock Life) changed name to American Citizens Life Insurance Company, (11-06-87)

Knighton Life Insurance Company, Beaumont, Texas, (Stipulated Premium) changed name and moved home office to International American Life Insurance Company, North Richland Hills, Texas, (11-10-87)

Mid-Western Life Insurance Company of Texas, Dallas, Texas, (Stock Life) changed name to Old Surety Life Insurance Company of Texas, (12-04-87)

Montfort Life Insurance Company, Dallas, Texas, (Stock Life) moved home office to San Antonio, Texas, (04-25-88)

MPACT Life Insurance Company, Dallas, Texas, (Stock Life) changed name to Lomas Bankers Life Insurance Company, (12-29-87)

Nowlin Lloyds, Fort Worth, Texas, (Lloyds) moved home office to North Richland Hills, Texas, (02-17-88)

Puritan Lloyds Insurance Company, Richardson, Texas, (Lloyds) changed name and moved home office to Empire Lloyds Insurance Company, Houston, Texas, (10-16-87)

Republic Of Texas Lloyds, Dallas, Texas, (Lloyds) changed name to American Guardian Insurance Underwriters Lloyds, (06-24-88)

Solar States Lloyd's Insurance Company, Dallas, Texas, (Lloyds) changed name to Southland Lloyd's Insurance Company, (12-02-87)

State Reserve Life Insurance Company, Fort Worth, Texas, (Stock Life) moved home office to San Antonio, Texas, (03-30-88)

Sunrise Life Insurance Company, Fort Worth, Texas, (Stock Life) moved home office to North Richland Hills, Texas, (10-02-87)

TDA Life & Health Insurance Company, Houston, Texas, (Stock Life) changed name to Professional Benefits Insurance Company, (06-06-88)

Texas Dealers Life Insurance Company, Dallas, Texas, (Stock Life) moved home office to Plano, Texas, (02-17-88)

Underwriters Life Insurance Company of Texas, Dallas, Texas, (Stipulated Premium) changed name to Consolidated Benefit Health Insurance Company, (03-08-88)

Universal Security Life Insurance Company, Houston, Texas, (Stock Life) changed name and moved home office to Hibiscus Life Insurance Company, Dallas, Texas, (07-22-88)

Valley Bancshares Insurance Company, McAllen, Texas, (Stock Life) changed name and moved home office to Titan Life Insurance Company, San Antonio, Texas, (10-02-87)

Victoria Insurance Company Limited, Houston, Texas, (Stock Fire & Casualty) changed name to Victoria Insurance Company, (10-15-87)

Vista Life Insurance Company of Texas, Austin, Texas, (Stock Life) moved home office to Houston, Texas, (03-17-88)

Western Casualty Life Insurance Company, Arlington, Texas, (Stipulated Premium) moved home office to Fort Worth, Texas, (10-15-87)

White Life Insurance Company, Wichita Falls, Texas, (Stock Life) moved home office to Waco, Texas, (04-25-88)

Foreign Companies That Have Changed Name, Moved Home Office, Domesticated, Or Been Reclassified

Between September 1, 1987, and August 31, 1988

A M Life Insurance Company, Wakefield, Massachusetts, (Stock Life) changed name and moved home office to First International Life Insurance Company, Danvers, Massachusetts, (07-06-88)

Abeille-Paix General Insurance Company (U. S. Branch), New York, New York, (Stock Fire & Casualty) changed name to Abeille General Insurance Company (U. S. Branch), (07-26-88)

Aetna Fire Underwriters Insurance Company, Hartford, Connecticut, (Stock Fire & Casualty) changed name and moved home office to Cigna Fire Underwriters Insurance Company, Bloomfield, Connecticut, (02-17-88)

Aetna Insurance Company, Bloomfield, Connecticut, (Stock Fire & Casualty) changed name to Cigna Property and Casualty Insurance Company, (02-17-88)

Aetna Reinsurance Company, Wilmington, Delaware, (Stock Fire & Casualty) changed name to Century Reinsurance Company, (04-25-88)

Allegiance Insurance Company, Los Angeles, California, (Stock Fire & Casualty) moved home office to Claremont, California, (03-30-88)

Allegiance Life Insurance Company, Los Angeles, California, (Stock Life) moved home office to Claremont, California, (06-03-88)

American Preferred Insurance Company, Indianapolis, Indiana, (Stock Fire & Casualty) changed name to American States Preferred Insurance Company, (06-30-88)

American Reliable Insurance Company, Minneapolis, Minnesota, (Stock Fire & Casualty) moved home office to Bloomington, Minnesota, (09-11-87)

American Sun Life Insurance Company, Winter Park, Florida, (Stock Life) moved home office to Orlando, Florida, (11-06-87)

American Union Insurance Company of New York, New York, New York, (Stock Fire & Casualty) changed name to American Union Reinsurance Company, (08-10-88)

Avco Financial Service Life Insurance Company (Assumed Name of Provident Alliance Life Insurance Company), Irvine, California, (Stock Life) changed name to Balboa Life Insurance Company, (12-29-87)

Bankers Life Assurance Company of Nebraska, Lincoln, Nebraska, (Stock Life) changed name to Ameritas Variable Life Insurance Company, (08-10-88)

Bankers Life Insurance Company of Nebraska, Lincoln, Nebraska, (Stock Life) changed name to Ameritas Life Insurance Corp., (08-29-88)

Buffalo Reinsurance Company, Concord, New Hampshire, (Stock Fire & Casualty) changed name to Underwriters Reinsurance Company, (03-30-88)

California Mutual Insurance Company, Monterey, California, (Mutual Fire & Casualty) changed name and converted to Calmutual Insurance Company, Stock Fire & Casualty, (03-17-88)

Calmutual Insurance Company, Monterey, California, (Stock Fire & Casualty) changed name to California Capital Insurance Company, (03-30-88)

Century-National Insurance Company, North Hollywood, California (Stock Fire & Casualty) moved home office to Van Nuys, California, (08-18-88)

Combined American Life Insurance Company, Lincoln, Nebraska, (Stock Life) changed name to American Combined Life Insurance Company, (07-01-88)

Countrywide Insurance Company, Los Angeles, California, (Stock Fire & Casualty) moved home office to Irvine, California, (12-10-87)

Equitable Life Insurance Company, McLean, Virginia, (Stock Life) moved home office to Richmond, Virginia, (07-15-88)

E. F. Hutton Life Insurance Company, La Jolla, California, (Stock Life) changed name to First Capital Life Insurance Company, (12-10-87)

Family Cancer Plan Insurance Company (Assumed Name of American Family Life Assurance Company of Columbus), Columbus, Georgia, (Stock Life) changed name to (dropped assumed name) American Family Life Assurance Company of Columbus, (08-15-88)

Federated Guaranty Insurance Company, Inc., Montgomery, Alabama, (Stock Casualty) changed name to Alfa Insurance Corporation, (09-11-87)

Financial Assurance, Incorporated, Golden, Colorado, (Stock Life) changed name and moved home office to Universal Security Assurance Life Insurance Company, Denver, Colorado, (12-29-87)

Financial Security Life of Mississippi, Jackson, Mississippi, (Stock Life) moved home office to Meridian, Mississippi, (07-22-88)

First Horizon Insurance Company, Minneapolis, Minnesota, (Stock Fire & Casualty) moved home office to Minnetonka, Minnesota, (12-10-87)

Galaxy Reinsurance Company, New York, New York, (Stock Fire & Casualty) changed name to Galaxy Insurance Company, (12-10-87)

General American Insurance Company, St. Louis, Missouri, (Stock Life) changed name to Paragon Life Insurance Company, (02-29-88)

Guaranty Insurance Company of America (Assumed name of American Guaranty Life Insurance Company), Portland, Oregon, (Stock Life) changed name to (dropped assumed name) American Guaranty Life Insurance Company, (10-02-87)

Guarantee Reserve Life Insurance Company, Hammond, Indiana, (Stock Life) moved home office to Munster, Indiana, (08-10-88)

Hawkeye National Life Insurance Company, Des Moines, Iowa, (Stock Life) moved home office to West Des Moines, Iowa, (07-22-88)

Healthwin Insurance Company, Fort Wayne, Indiana, (Stock Life) changed name to Lincoln National Health Care Insurance Company, (03-11-88)

Heart of America Fire & Casualty Company, Kansas City, Missouri, (Stock Fire & Casualty) moved home office to Jefferson City, Missouri, (12-04-87)

Heart of America Fire & Casualty Company, Jefferson City, Missouri, (Stock Fire & Casualty) moved home office to Kansas City, Missiouri, (02-29-88)

Home and Automobile Insurance Company, Chicago, Illinois, (Stock Fire & Casualty) changed name to National Liability & Fire Insurance Company, (05-24-88)

INA Reinsurance Company, Wilmington, Delaware, (Stock Fire & Casualty) changed name to Cigna Reinsurance Company, (04-25-88)

Interfaith Life Insurance Company, Philadelphia, Pennsylvania, (Stock Life) changed name to Premier Life Insurance Company, (03-18-88)

Interstate Fire Insurance Company, Chattanooga, Tennessee, (Stock Fire) moved home office to Jacksonville, Florida, (02-17-88)

Inter-Ocean Insurance Company, Indianapolis, Indiana, (Stock Life) changed name to The Cincinnati Life Insurance Company, (08-31-88)

Kinder Life Insurance Company, Montgomery, Alabama, (Stock Life) changed name and moved home office to Assured Security Life Insurance Company, Inc., Mountain Brook, Alabama, (06-20-88)

Midamerica Mutual Life Insurance Company, Minneapolis, Minnesota, (Mutual Life) moved home office to Roseville, Minnesota, (07-06-88)

Mid-America Life Assurance Company, Saginaw, Michigan, (Stock Life) moved home office to Grand Rapids, Michigan, (03-30-88)

Mid-South Life Insurance Company, Jackson, Mississippi, (Stock Life) changed name to MS Life Insurance Company, (11-06-87)

Millers-Illinois Insurance Company, Chicago, Illinois, (Mutual Fire & Casualty) changed name to Millers National Insurance Company, (02-17-88)

Mony Pension Insurance Corporation, Dover, Delaware, (Stock Life) changed name and moved home office to Colonial Penn Annuity and Life Insurance Company, Wilmington, Delaware, (03-17-88)

Motor Vehicle Casualty Company, Elmhurst, Illinois, (Stock Fire & Casualty) changed name and moved home office to Edison Insurance Company, Matteson, Illinois, (07-22-88)

National American Insurance Company of New York, New York, New York, (Stock Fire & Casualty) changed name to Capital Markets Assurance Corporation, (03-30-88)

National American Insurance Company, Omaha, Nebraska, (Stock Fire & Casualty) moved home office to Lincoln, Nebraska, (07-06-88)

National Excess Insurance Company, Laguna Hills, California, (Stock Fire & Casualty) changed name and moved home office to Premier Alliance Insurance Company, San Francisco, California, (02-02-88)

National General Insurance Company, St. Louis, Missouri, (Stock Fire & Casualty) moved home office to Hazelwood, Missouri, (06-30-88)

Nationwide Variable Life Insurance Company, Columbus, Ohio, (Stock Life) changed name to Financial Horizons Life Insurance Company, (07-22-88)

New York Underwriters Insurance Company, New York, New York, (Stock Fire & Casualty) changed name to Hartford Underwriters Insurance Company (08-10-88)

North American Specialty Insurance Company, Concord, New Hampshire, (Stock Fire & Casualty) moved home office to Manchester, New Hampshire, (08-18-88)

Northbrook Indemnity Company, Northbrook, Illinois, (Stock Fire & Casualty) moved home office to South Barrington, Illinois, (12-29-87)

Northbrook Property and Casualty Insurance Company, Northbrook, Illinois, (Stock Fire & Casualty) moved home office to South Barrington, Illinois, (06-30-88)

Northwestern National Casualty Company, Milwaukee, Wisconsin, (Stock Fire & Casualty) moved home office to Brookfield, Wisconsin, (12-11-87)

Northwestern National Insurance Company, Milwaukee, Wisconsin, (Stock Fire & Casualty) changed name and moved home office to Northwestern National Insurance Company of Milwaukee, Wisconsin, Brookfield, Wisconsin, (12-29-87)

Podiatry Insurance Company of America, A Mutual Company, Nashville, Tennessee, (Mutual Fire & Casualty) moved home office to Brentwood, Tennessee, (02-02-88)

Presbyterian Ministers' Fund Life Insurance and Annuity Company, Philadelphia, Pennsylvania, (Stock Life) changed name to Interfaith Life Insurance Company, (07-22-88)

Preserver Assurance Company, New York, New York, (Stock Fire & Casualty) moved home office to Bohemia, New York, (06-20-88)

Queen City Indemnity Company, Fairfield, Ohio, (Stock Fire & Casualty) changed name to The Cincinnati Casualty Company, (09-11-87)

Reliable Life and Casualty Company, Madison, Wisconsin, (Stock Life) changed name to North American Insurance Company, (05-24-88)

Safeco Title Insurance Company, Los Angeles, California, (Title) changed name and moved home office to Security Union Title Insurance Company, Pasadena, California, (07-22-88)

Safeco Title Insurance Corporation, Baltimore, Maryland, (Title) changed name to Chicago Title Insurance Company of Maryland, (07-22-88)

Standard of America Life Insurance Company, The, Park Ridge, Illinois, (Stock Life) moved home office to Chicago, Illinois, (03-30-88)

Stone Mountain Insurance Company, Atlanta, Georgia, (Stock Fire & Casualty) moved home office to Marietta, Georgia, (10-06-87)

Union Casualty Company, Omaha, Nebraska, (Stock Life) changed name to Legacy Life Insurance Company, (04-29-88)

United Equitable Life Insurance Company, Skokie, Illinois, (Stock Life) moved home office to Lincolnwood, Illinois, (09-11-87)

Yukon Indemnity Company, Oklahoma City, Oklahoma, (Stock Fire & Casualty) changed name to Alliance Indemnity Company, (08-18-88)

Zenith Insurance Company, Encino, California, (Stock Fire & Casualty) moved home office to Woodland Hills, California, (07-26-88)

PART III - LIQUIDATOR'S AND CONSERVATOR'S REPORT

EXHIBIT I

STATE BOARD OF INSURANCE
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
August 31, 1988
(UNAUDITED)

	Governmental Funds
	Special Revenue (Exh. A-1)
LIABILITIES AND FUND EQUITY	$
Liabilities	
Payables:	
Federal Payables	49,917
Accounts Payable	4,649,696
Unallocated and Undistributed Receipts	
Due to Other Funds (Note 12)	347,109
Notes and Loans Payable	975,000
Funds Held in Custody For Others	19
Total Liabilities	6,021,741
Long-Term Liabilities	
Compensable Leave Balances	
Total Long-Term Liabilities	--
Total Liabilities	6,021,741
Fund Equity	
Invested in General Fixed Assets	--
Fund Balances:	
Reserved for -	
Petty Cash Funds	1,000
Consumable Inventories	119,180
Travel Advance Fund	200,000
Encumbrances (Exh. III)	5,984,309
Unreserved - Undesignated -	
Available for Subsequent Years	12,586,631
Total Fund Balances (Exh. II)	18,891,120
Total Fund Equity	18,891,120
Total Liabilities and Fund Equity	24,912,861

The accompanying Notes to the Financial Statements are an integral part of this exhibit.

Fiduciary Funds	Account Groups		Memorandum
Trust and Agency (Exh. B-1)	General Fixed Assets	General Long-Term Debt	Totals - August 31, 1988
$	$	$	$
			49,917
			4,649,696
22,777,130			22,777,130
			347,109
			975,000
			19
22,777,130	--	--	28,798,871
		2,175,984	2,175,984
--	--	2,175,984	2,175,984
22,777,130	--	2,175,984	30,974,855
--	11,834,052	--	11,834,052
			1,000
			119,180
			200,000
			5,984,309
25,326			12,611,957
25,326	--	--	18,916,446
25,326	11,834,052	--	30,750,498
22,802,456	11,834,052	2,175,984	61,725,353

Exhibit II - Combined Statements of Revenues, Expenditures and Changes in Fund Balances

EXHIBIT II

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUNDS AND EXPENDABLE TRUST FUNDS
Year Ended August 31, 1988
(UNAUDITED)

	Governmental Funds	Fiduciary Funds
	Special Revenue (Exh. A-2)	Expendable Trust (Exh. B-2)
	$	$
Revenues		
Taxes	15,994,458	
License, Fees, and Permits	22,978,347	
Interest and Investment Income	24,373	1,883
Sales of Goods and Services	359,345	
Other Revenues	4,844,489	175
Total Revenues	44,201,012	2,058
Expenditures		
Current Operating:		
Salaries and Wages	28,909,311	
Unemployment Compensation Benefits	8,431	
Workers' Compensation Benefits	31,258	
Retirement Contributions	2,003,739	
Group Insurance - State Contributions	1,538,798	
Social Security Matching Contributions	2,184,252	
Social Security Payments by State	1,137,223	
Professional Fees and Services	471,062	
Travel	1,887,072	
Materials and Supplies	1,058,758	
Communication and Utilities	1,004,980	
Repairs and Maintenance	556,624	
Rentals and Leases	2,292,946	
Printing and Reproduction	143,370	
Claims and Judgements	54,692	
Other Expenditures	2,680,747	
Total Current Operating Expenditures	45,963,263	--

Memorandum Totals - Year Ended August 31, 1988
$
15,994,458
22,978,347
26,256
359,345
4,844,664
44,203,070
28,909,311
8,431
31,258
2,003,739
1,538,798
2,184,252
1,137,223
471,062
1,887,072
1,058,758
1,004,980
556,624
2,292,946
143,370
54,692
2,680,747
45,963,263

EXHIBIT II

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUNDS AND EXPENDABLE TRUST FUNDS
Year Ended August 31, 1988
(UNAUDITED)

(Concluded)

	Governmental Funds	Fiduciary Funds
	Special Revenue (Exh. A-2)	Expendable Trust (Exh. B-2)
Expenditures (concluded)	$	$
Capital Outlay and Debt Service:		
Purchases of Fixed Assets	3,374,734	
Debt Service - Interest on Capital Leases	45,349	
Total Capital Outlay and Debt Service	3,420,083	--
Total Expenditures	49,383,346	--
Excess (Deficit) of Revenues over Expenditures	(5,182,334)	2,058
Other Financing Sources (Uses)		
Operating Transfers In (Agency 454, Fund 999)	24,689	
Operating Transfers Out		
(Agency 304, Fund 001)	(1,289,779)	
(Agency 303, Fund 001)	(589,569)	
(Agency 302, Fund 036)	(115,404)	
(Agency 454, Fund 999)	(23,532)	(1,157)
Liquidation of Liabilities for Expenditures Previously Recorded	(1,341,021)	
Establishment of Petty Cash Fund	500	
Increase in Travel Advance Fund	135,000	
Net Change in Consumable Inventories	9,872	
Advances to Receiverships		(36,000)
Adjustments to Assets and Liabilities	3,067	
Total Other Financing Sources (Uses)	(3,186,177)	(37,157)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	(8,368,511)	(35,099)
Fund Balance - Beginning of Year	27,259,631	60,425
Fund Balance - End of Year (Exh. I)	18,891,120	25,326

The accompanying Notes to the Financial Statements are an integral part of this exhibit.

Memorandum Totals - Year Ended August 31, 1988
$
3,374,734
45,349
3,420,083
49,383,346
(5,180,276)
24,689
(1,289,779)
(589,569)
(115,404)
(24,689)
(1,341,021)
500
135,000
9,872
(36,000)
3,067
(3,223,334)
(8,403,610)
27,320,056
18,916,446

Exhibit III - Comparison of Funds Budgeted to Fund Applied and Encumbered - All Appropriated Activity

STATE BOARD OF INSURANCE

EXHIBIT III
COMPARISION OF FUNDS BUDGETED TO FUNDS APPLIED AND ENCUMBERED -
ALL APPROPRIATED ACTIVITY
Year Ended August 31, 1988
(UNAUDITED)

	Funds Budgeted	
	Legislative Appropriations and Balances	Additional Appropriations and Adjustments
	$	$
LEGISLATIVE APPROPRIATIONS		
Current Year:		
Insurance Operating Fund 036:		
Board Offices	1,617,128	
Commissioner's Office	5,190,245	
Administrative Services	6,900,159	
Legal and Compliance	3,387,867	
Casualty Insurance Rating & Regulation	3,817,381	
Property Insurance Rating & Regulation	4,037,978	
Corporate and Financial Affairs	6,429,313	
Life Insurance Regulation	3,227,578	
State Fire Marshal	2,274,341	
S.B. 2, 70th Leg., 1st C.S.	3,000,000	
H.B. 2012, 70th Leg., R.S.	3,896,374	
S.B. 293, S.B. 1148, H.B. 1021, S.B. 199, S.B. 80, S.B. 1439, H.B. 390,70th Leg.,R.S.	924,772	
H.B. 677, 70th Leg., R.S.	66,892	
H.B. 170, 70th Leg., 2nd C.S.	2,247,061	
Reprinting of Texas General Basis Schedule	136,000	
Disaster Travel	25,000	
Office Rental and Moving Expenses	515,578	
Additional Appropriations -		
Market Assistance Program		65,000
Social Security -		
Regular		1,975,000
Paid by State on Behalf of Employees		1,015,000
Retirement Contributions and Related Costs		1,812,546
Employee Insurance Premiums		1,376,440
Workers Compensation Benefit		29,949
Unemployment Compensation Benefits		8,431
Transfer to General Revenue for Services		1,289,779
Building Maintenance - SPGSC		589,569
Transfer to Attorney General		92,058
Audit Charges		76,492
Claim Settlement		54,692
Sub-Total Insurance Operating Fund 036	47,693,667	8,384,956

Transfers Between Appropriations	Appropriated Revenues	Totals
$	$	$
(62,949)	66	1,554,245
352,765	528	5,543,538
(4,907)	362,660	7,257,912
(227,041)		3,160,826
1,361,350	57,721	5,236,452
88,296	10	4,126,284
(189,996)	37	6,239,354
133,463	43	3,361,084
(154,479)	260	2,120,122
(299,621)		2,700,379
(389,637)		3,506,737
(91,666)		833,106
		66,892
		2,247,061
		136,000
		25,000
(515,578)		--
		65,000
		1,975,000
		1,015,000
		1,812,546
		1,376,440
		29,949
		8,431
		1,289,779
		589,569
		92,058
		76,492
		54,692
--	421,325	56,499,948

EXHIBIT III
COMPARISION OF FUNDS BUDGETED TO FUNDS APPLIED AND ENCUMBERED -
ALL APPROPRIATED ACTIVITY
Year Ended August 31, 1988
(UNAUDITED)

	Funds Budgeted	
	Legislative Appropriations and Balances	Additional Appropriations and Adjustments
	$	$
LEGISLATIVE APPROPRIATIONS		
Current Year:		
Consumer Protection Fund 001:		
Division of Consumer Protection	748,503	
Additional Appropriations -		
Social Security -		
Regular		8,000
Paid by State on Employee Behalf		6,300
Retirement Contributions and Related Costs		6,279
Employee Insurance Premiums		3,912
Sub-Total Consumer Protection Fund 001	748,503	24,491
Total Current Year Appropriations	48,442,170	8,409,447
Prior Year Appropriations (Insurance Operating Fund 036)	1,799,749	26,419
Total Appropriations	50,241,919	8,435,866

Transfers Between Appropriations	Appropriated Revenues	Totals
$	$	$
		748,503
		8,000
		6,300
		6,279
		3,912
--	--	772,994
--	421,325	57,272,942
--	--	1,826,168
--	421,325	59,099,110

EXHIBIT III
COMPARISION OF FUNDS BUDGETED TO FUNDS APPLIED AND ENCUMBERED -
ALL APPROPRIATED ACTIVITY
Year Ended August 31, 1988
(UNAUDITED)

	Funds Applied	
	Expenditures And Other Financing Uses	Encumbrances
	$	$
LEGISLATIVE APPROPRIATIONS		
Current Year:		
Insurance Operating Fund 036:		
Board Offices	1,466,707	8,009
Commissioner's Office	4,366,972	1,111,342
Administrative Services	6,624,551	390,590
Legal and Compliance	3,067,353	28,813
Casualty Insurance Rating & Regulation	3,324,799	1,868,205
Property Insurance Rating & Regulation	4,066,453	16,217
Corporate and Financial Affairs	6,048,799	123,586
Life Insurance Regulation	3,171,774	174,211
State Fire Marshal	1,957,244	77,419
S.B. 2, 70th Leg., 1st C.S.	1,214,557	687,176
H.B. 2012, 70th Leg., R.S.	2,006,347	464,476
S.B. 293, S.B. 1148, H.B. 1021, S.B. 199, S.B. 80, S.B. 1439, H.B. 390, 70th Leg., R.S.	206,618	229,282
H.B. 677, 70th Leg., R.S.	56,730	5,613
H.B. 170, 70th Leg., 2nd C.S.	672,196	675,136
Reprinting of Texas General Basis Schedule		
Disaster Travel		
Office Rental and Moving Expenses		
Additional Appropriations -		
Market Assistance Program		
Social Security -		
Regular	1,973,707	
Paid by State on Behalf of Employees	1,003,118	
Retirement Contributions and Related Costs	1,812,546	
Employee Insurance Premiums	1,376,440	
Workers Compensation Benefit	29,949	
Unemployment Compensation Benefits	8,431	
Transfer to General Revenue for Services	1,289,779	
Building Maintenance - SPGSC	589,569	
Transfer to Attorney General	92,058	
Audit Charges	76,492	
Claim Settlement	54,692	
Sub-Total Insurance Operating Fund 036	46,557,881	5,860,075

And Encumbered

Appropriations Lapsed	Totals	Variance
$	$	$
	1,474,716	79,529
	5,478,314	65,224
	7,015,141	242,771
	3,096,166	64,660
	5,193,004	43,448
	4,082,670	43,614
	6,172,385	66,969
	3,345,985	15,099
	2,034,663	85,459
	1,901,733	798,646
	2,470,823	1,035,914
	435,900	397,206
	62,343	4,549
	1,347,332	899,729
	--	136,000
	--	25,000
	--	--
	--	65,000
	--	--
	1,973,707	1,293
	1,003,118	11,882
	1,812,546	--
	1,376,440	--
	29,949	--
	8,431	--
	1,289,779	--
	589,569	--
	92,058	--
	76,492	--
	54,692	--
--	52,417,956	4,081,992

EXHIBIT III
COMPARISION OF FUNDS BUDGETED TO FUNDS APPLIED AND ENCUMBERED -
ALL APPROPRIATED ACTIVITY
Year Ended August 31, 1988
(UNAUDITED)

	Funds Applied	
	Expenditures And Other Financing Uses	Encumbrances
	$	$
LEGISLATIVE APPROPRIATIONS		
Current Year:		
Consumer Protection Fund 001:		
Division of Consumer Protection	189,468	124,234
Additional Appropriations -		
Social Security -		
Regular	7,084	
Paid by State on Employee Behalf	4,621	
Retirement Contributions and Related Costs	6,279	
Employee Insurance Premiums	3,912	
Sub-Total Consumer Protection Fund 001	211,364	124,234
Total Current Year Appropriations	46,769,245	5,984,309
Prior Year Appropriations (Insurance Operating Fund 036)	1,156,280	--
Total Appropriations	47,925,525	5,984,309
		(Exh. I)

And Encumbered

Appropriations Lapsed	Totals	Variance
$	$	$
	313,702	434,801
	7,084	916
	4,621	1,679
	6,279	--
	3,912	--
--	335,598	437,396
--	52,753,554	4,519,388
669,888	1,826,168	--
669,888	54,579,722	4,519,388
		(Note A)

EXHIBIT III

COMPARISON OF FUNDS BUDGETED TO FUNDS APPLIED AND ENCUMBERED
ALL APPROPRIATED ACTIVITY
Year Ended August 31, 1988
(UNAUDITED)

(Concluded)

Note A: Reconciliation of Variance:

	$
Variance (Exh. III):	4,519,388
Add:	
Encumbrances included in Fund Balance	5,984,309
Unappropriated Fund Balance (Fund 36):	
Available for Subsequent Years	7,776,469
Unappropriated Fund Balance (Fund 001):	
Available for Subsequent Years	181,887
Unappropriated Fund Equity, Local Funds:	
Special Revenue (999)	108,887
Expendable Trust (999)	25,326
Investment in General Fixed Assets	11,834,052
Reserve for Petty Cash	1,000
Reserve for Inventories	119,180
Reserve for Travel Advance	200,000
Total Fund Equity per Exhibit I, All Funds	30,750,498

The Notes to the Financial Statements are an integral part of this exhibit.

Notes To The Financial Statements

NOTE 1 - Significant Accounting Policies

A. Entity

The State Board of Insurance is provided for in Art. 1.02 - 1.09 of the Texas Insurance Code (Vernon 1981 and Supp. 1986). The history of the Board dates back to the Texas Constitution of 1876. Since then, the composition of the agency has changed several times. The latest change took place in 1957 when the Board of Insurance Commissioners was abolished and the State Board of Insurance was created. The primary responsibility of the Board is to regulate the insurance industry pursuant to provisions contained in the Texas Insurance Code. Our entity is a component of the statewide report which will be audited.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as established by the Governmental Accounting Standards Board. The statements include those funds and account groups controlled by the State Board of Insurance.

C. Fund Structure

The financial statements are presented on the basis of funds and account groups, each of which is considered to be a separate accounting entity. Resources received are allocated to operations reported in an individual fund based upon the purpose for which they may be utilized. The funds and account groups used to reflect Board transactions are as follows:

Governmental Funds - Governmental Funds include the Special Revenue Funds, consisting of the Insurance Board Operating Fund, Division of Consumer Protection, Liquidator's Administrative Account, Payroll Account, General Expense Account and Claims Clearing Account, which report the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Funds - Fiduciary Funds administered by the Board are composed of Expendable Trust and Agency Funds. Trust and Agency Funds account for assets held by the Board in a trustee capacity or as an agent for individuals, private organizations or other funds. Expendable Trust Funds, represented by the Trustee Account and Abandoned Property Fund, are accounted for in essentially the same manner as governmental funds. Agency Funds, represented by the Departmental Suspense Account and the U.S. Savings Bond Account, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups - A General Fixed Asset Account Group and the General Long-Term Debt Account Group are maintained to account for the capital assets and the outstanding long-term debt of the State Board of Insurance, respectively. These self-balancing account groups are concerned only with the measurement of financial position and not with measurement of results of operations.

D. Memorandum Totals

The total columns on the financial statements are captioned "Memorandum" to indicate that they are for informational purposes only. Data in these columns does not present the financial position, results of operation, or changes in financial position in conformity with GAAP, nor is such data comparable to a consolidation.

E. Basis of Accounting

Funds of the State Board of Insurance are accounted for on the modified accrual basis of accounting. In applying the modified accrual basis, revenues are recognized when they become measurable and available and expenditures are recognized when the related liabilities are incurred. An exception to the general rule for expenditure recognition involves the expenditure for compensable absences of employees which is not recognized until events occur which make payment necessary. This long-term liability is reported in the General Long-Term Debt Account Group.

F. Budgets and Budgetary Accounting

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act). Encumbrance accounting is employed for budgetary control purposes.

Unencumbered appropriations are now generally subject to lapse 100 days after the end of the fiscal year for which they were appropriated.

G. Investments

Investments are stated at cost.

H. Consumable Inventories

Consumable Inventories represent the cost of postage and consumable supplies on hand at fiscal year-end. The cost of these items is included as an expenditure at the time of purchase. Reported inventories at year-end are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

I. Fixed Assets

Fixed assets are included with expenditures at the time of purchase and are reported at cost or estimated fair market value at acquisition date if acquired other than by purchase. No provision is made in the accounting records for depreciation or obsolescence, as replacements are financed from current operating funds.

Fixed assets belonging to the State Board of Insurance, including the Liquidation Activity are presented in the *General Fixed Assets Account Group*. The Liquidation Activity property is under the sole control of that Activity and is not included in the records maintained by the State Purchasing and General Services Commission. Changes in general fixed assets for the fiscal year ended August 31, 1988, are summarized below:

Figure 89. Changes in General Fixed Assets: for the Fiscal Year Ended August 31, 1988

	State Board of Insurance	Liquidation Activity	Totals
Balances-September 1, 1987	$9,818,555	$227,966	$10,046,521
Additions:			
Purchases	3,352,834	21,900	3,374,734
Trade-In Allowances	34,500		34,500
Total Additions	3,387,334	21,900	3,409,234
Deductions:			
Items Sold or Traded In	976,788		976,788
Obsolete Items	192	326	518
Devaluation of Equipment		33,081	33,081
Delete Items under $500	471,927		471,927
Transferred to Other Agencies	139,389		139,389
Total Deductions	1,588,296	33,407	1,621,703
Net Increase (Decrease)	1,799,038	(11,507)	1,787,531
Balances - August 31, 1988	11,617,593	216,459	11,834,052

(Exh. I)

J. Accounts Payable

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

K. Employees' Compensable Leave

Employees' Compensable Leave Balances represent the liability that the Agency will be required to liquidate in the future for employee vacation time.

L. Reserved for Consumable Inventories

This represents the amount of supplies and postage held to be used in the next fiscal year.

M. Reserved for Encumbrances

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

N. Unreserved-Designated for Subsequent Year's Expenditures

This represents the unappropriated balance at year end.

O. Revenues

During FY '88, there was a change in accounting policy for collecting maintenance taxes. In prior years, the entire assessment was due on March 1. In FY '88, the billing cycle was changed whereby 50% of the assessment was due on March 1, 1988, and the other 50% was due on September 15, 1988, unless the tax liability was under $2,000, in which case the entire tax was due on March 1, 1988.

P. Interfund Transactions and Balances

1. Quasi-external Transactions

These transactions are transactions that would be treated as revenues or expenditures if they involved organizations external to state government. They are accounted for as revenues by the recipient fund and as expenditures by the disbursing fund. The accrual of quasi-external transactions is classified as Due From Other Funds and Due To Other Funds on the balance sheet.

2. Operating Transfers

These transfers represent routine transfers of resources. Operating transfers are reported in the Other Financing Sources (Uses) Section for governmental fund types.

NOTE 2 - Deposits

Bank balances, from accounts held in local banks, in the amount of $842,222 were either fully insured by FDIC or were collaterlized with securities held by the pledging financial institution's trust department or agent in the agency's name.

NOTE 3 - Compensable Leave Balances

Under the provisions of Tex. Rev. Civ. Stat. Ann. art. 6252-8b (Vernon Supp. 1985), a state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal or separation from state employment, provided the employee has had continuous employment with the State for six months. Under a General Appropriations Act Rider, now modified, in part, by the Supreme Court decision February 19, 1985, in *Garcia vs. San Antonio Transit,* the system must either grant regular full-time employees time and a half off for overtime worked or pay them at a rate of one and one-half times the regular rate of pay; however, executive administrative or professional employees are expressly limited to compensatory time as determined by the employer unit.

The expenditure for accumulated annual and compensatory leave is recorded in governmental funds in the period taken or paid. The liability for unpaid leave is recorded in the General Long-Term Debt Account Group with a corresponding account designated *"Resources to be Provided in Future Years."*

The following is a summary of changes in employees' annual and compensatory leave balances, which reflect employees' accrued rights to future compensated absences. Changes and balances are stated in terms of hours:

Figure 90. Changes in Employees' Annual and Compensatory Leave Balances

	Annual Leave	Compensatory Leave	FSLA Leave	Totals
Compensable Leave Hours - September 1, 1987	106,585	19,411	3,439	129,435
Leave Hours Earned	127,138	51,713	27,594	206,445
Leave Hours Compensated:				
By Time Off	(87,720)	(43,453)	(11,381)	(142,554)
By Monetary Payments	(6,377)		(6,097)	(12,474)
Leave Hours Lost or Cancelled	(3,281)	(2,844)	(2)	(6,127)
Leave Hours Transferred:				
In	7,411	(7)		7,404
Out	(948)			(948)
Compensable Leave Hours - August 31, 1987	142,808	24,820	13,553	181,181

The Board's monetary liability for compensable future absences, computed by multiplying the ending balances by the year-end average hourly salary rate for all employees, was as follows:

Figure 91. The Board's Monetary Liability for Compensable Future Absences

Annual Leave	$1,715,124
Compensatory Time	298,088
FSLA Time	162,772
Total (Exh. I)	2,175,984

NOTE 4 - Indirect Cost Obligations

During the reporting period, expenditures totaling $19,369 for the year ended August 31, 1988, were incurred by the Employees Retirement System. This amount which is not included with expenditures reported herein, was paid in behalf of employees for group insurance premiums from the *Employee Life, Accident and Health Insurance Benefit Fund.*

NOTE 5 - Employees' Retirement Plan

The State has joint contributory retirement plans for substantially all its employees. The Agency participates in the plans administered by the Employees Retirement System of Texas. Future pension costs are the liabilities of the Retirement System. The System does not account for each state agency separately. Annual financial reports prepared by the System include audited financial statements and actuarial assumptions and conclusions. The actuarial valuation of the Employees Retirement System as of August 31, 1987, reflects for the first time an overfunded actuarial accrued liability. When the system is overfunded, there is no amortization period. The contributing rates of employees (6%) and the State (7%), are set by the State Legislature. Total cost to the State, related to this Agency for the year ended August 31, 1988, was $2,023,108. This includes the amount shown in Note 4 and $2,003,739 paid from operating funds.

NOTE 6 - Contingent Liabilities

A. Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is paid to the employee only in case of illness or to the employee's estate in the event of his/her death while employed by the Board. The maximum sick leave that may be paid an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The Board recognizes the cost of any sick leave when paid. No liability is recorded in the General Long-Term Debt Account Group since experience indicates the probability of a material effect on any given year's operation, as a result of death or abnormally high rate of illness, is minimal.

B. At August 31, 1988, there were 952 companies which had paid maintenance taxes, premium taxes, surtaxes and various other fees under protest and/or filed suits with the State Board of Insurance. Total protested deposits amounted to $359,040,700, of which $357,856,808 were on deposit in the State's Unappropriated General Revenue Fund, $235,768 in the Insurance Operating Fund and $948,124 in the Suspense Fund. The outcome of this litigation is indeterminate.

NOTE 7 - Operating Lease Obligations

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating leases:

Special Revenue Fund	$1,089,383

Future minimum rental payments under noncancellable operating leases having an initial term in excess of one year are as follows:

Year Ending August 31,	
1989	$3,650,333
1990	1,744,062
1991	958,872
1992	81,912
1993	67,700
1994	61,561
1995	58,492
1996	38,995
Total Future Minimum Rental Payments	6,661,927

NOTE 8 - Deferred Compensation

At August 31, 1988, eighty employees of the Agency were participating in the State's Deferred Compensation Program. This program allows employees to defer a portion of their monthly salary for income tax and investment purposes. During the 1988 fiscal year, $236,182 was withheld from employees' salaries to be invested in approved plans as designated by the employee. The State has no additional or unfunded liability for this program.

NOTE 9 - Continuance Subject To Review

On August 29, 1977, the Board became subject to the provisions of S.B. 54, 65th Leg., Reg. Sess. (1977) titled the "Texas Sunset Act." The Board's existence was continued by S.B. 928, 68th Leg., Reg. Sess. (1983) until September 1, 1995, at which time it will be terminated unless specifically continued by legislative action.

NOTE 10 - Securities On Deposit

Article 3.16 of the Insurance Code requires any life insurance company incorporated under the laws of the State to deposit with the Board either securities or cash "equal to the legal reserve" on the company's outstanding registered policies and annuity bonds. The balance of these deposits at August 31, 1988, was $226,332,256. Currently all deposits are under the supervision of the Board's Chief of Staff Services who maintains the securities in security deposit boxes and monitors all changes for legality. All additions or withdrawals in the deposits must be made at the insurance company's written request. Securities eligible for deposit include various types of bonds, certificates of deposit, certain types of stock, titles or deeds of property, and first lien notes on real estate or personal property. These amounts do not appear on the financial statements presented herein.

The Insurance Code requires insurance companies in various lines of insurance to have cash or eligible securities on deposit with an approved custodian as security for policy holders either under a Joint Control Agreement with the Board or maintained at the State Treasury. Life, Fire and Casualty and Mutual Assessment Companies are required to deposit eligible securities in the State Treasury after receiving approval from the Commissioner of Insurance. Any changes in monies and/or securities deposited must also be approved by the State Board of Insurance. Article 7.15 of the Tex. Ins. Code required Surety and Trust Companies to have an approved deposit with the Board. Although repealed in 1957 by the Fifty-fifth Legislature, deposits still must be maintained in those instances where a company has a possibility of outstanding claims or obligations. Lloyd's companies are required to deposit securities with an approved financial institution subject to joint control of attorney. Joint control of attorney requires that a joint control agreement be made between the company, the financial institution and the State Board of Insurance in which no change in deposits may be made without approval from all three parties. Eligible investments for deposits include various types of bonds, first lien notes on real estate or personal property, certificates of deposits and certain types of stock. The joint control deposits and the deposits maintained in the State Treasury are supervised by a State Board of Insurance employee. Following is the market value of the deposits at August 31, 1988:

Figure 92. Market Value of the Deposits: as of August 31, 1988

Under Joint Control Agreement	$ 33,157,514
On Deposit in State Treasury	269,178,108
Total	302,335,622

Market values of all deposits are provided by the Company when securities are deposited under the supervision of the Board. When an examination is conducted by the Board's Examination Activity, values of securities at the date of the examination are reviewed by the examiners.

NOTE 11 - Related Parties

Allowance for Collection was established for loans/advances made to Receivership estates from the Abandoned Property Fund which are considered uncollectible.

NOTE 12 - Interfund Receivables and Payables

As explained in Note 1 on Interfund Transactions and Balances, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as Due From or Due To Other Funds. Individual interfund receivable and payable balances at August 31, 1988 were as follows:

	Due From Other Funds	Due To Other Funds
Special Revenue	$	$
(Agency 453, Fund 001)	62	
(Agency 324, Fund 166)	120	
(Agency 405, Fund 006)	24	
(Agency 601, Fund 006)	18	
(Agency 327, Fund 036)	98,807	
(Agency 303, Fund 001)		177,378
(Agency 243, Fund 001)		148
(Agency 696, Fund 156)		15,022
(Agency 301, Fund 001)		100
(Agency 101, Fund 001)		10
(Agency 105, Fund 0001		50
(Agency 102, Fund 001)		12
(Agency 302, Fund 036)		5,775
(Agency 327, Fund 036)		66,843
(Agency 454, Fund 999)	16,376	16,376
(Agency 327, Fund 001)		65,395
Total (Exh. I)	$ 115,407	$ 347,109

Exhibit A-1 - Combining Balance Sheet - All Special Revenue Funds

EXHIBIT A-1

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
August 31, 1988
(UNAUDITED)

	Insurance Board Operating Fund (Fund 036)	Division of Consumer Protection (Fund 001)	Liquidator's Administrative Account (Fund 999)
	$	$	$
ASSETS			
Cash and Temporary Investments:			
Cash on Hand	500	500	877
Cash in Banks	200,000		50,797
Cash in State Treasury	21,772,492	812,378	
Receivables:			
Insurance Examination Fees Receivable	627,488		
Less-Allowance for Doubtful Accounts	(188,321)		
Interest and Dividends Receivable			221
Accounts Receivable			2,441
Other Receivables			70,660
Due from Other Funds (Note 12)	99,031		15,714
Consumable Inventories	117,620		1,560
Other Assets			10
Total Assets	22,628,810	812,878	142,280

Payroll Account (Fund 999)	General Expense Account (Fund 999)	Claims Clearing Account (Fund 999)	Totals- August 31, 1988 (Exh. I)
$	$	$	$
			1,877
317,984	265,152	500	834,433
			22,584,870
			627,488
			(188,321)
359	829	2	1,411
	2,641		5,082
567,734	173,030		811,424
	662		115,407
			119,180
			10
886,077	442,314	502	24,912,861

EXHIBIT A-1

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
August 31, 1988
(UNAUDITED)

(Concluded)

	Insurance Board Operating Fund (Fund 036)	Division of Consumer Protection (Fund 001)	Liquidator's Administrative Account (Fund 999)
	$	$	$
LIABILITIES AND FUND EQUITY			
Liabilities			
Payables:			
Federal Payables			
Accounts Payable	4,328,558	67,500	8,226
Due to Other Funds (Note 12)	263,595	1,362	15,662
Notes and Loans Payable			50,000
Funds Held in Custody For Others			
Total Liabilities	4,592,153	68,862	73,888
Fund Equity			
Fund Balances:			
Reserved for -			
Petty Cash Funds	500	500	
Consumable Inventories	117,620		1,560
Travel Advance Fund	200,000		
Encumbrances	5,860,075	124,234	
Unreserved - Available for Subsequent Years	11,858,462	619,282	66,832
Total Fund Equity (Exh. A-2)	18,036,657	744,016	68,392
Total Liabilities and Fund Equity	22,628,810	812,878	142,280

The Notes to the Financial Statements are an integral part of this exhibit.

Payroll Account (Fund 999)	General Expense Account (Fund 999)	Claims Clearing Account (Fund 999)	Totals- August 31, 1988 (Exh. I)
$	$	$	$
49,917			49,917
245,404	8		4,649,696
65,395	595	500	347,109
525,000	400,000		975,000
19			19
885,735	400,603	500	6,021,741
			1,000
			119,180
			200,000
			5,984,309
342	41,711	2	12,586,631
342	41,711	2	18,891,120
886,077	442,314	502	24,912,861

Exhibit A-2 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Funds

EXHIBIT A-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
Year Ended August 31, 1988
(UNAUDITED)

	Insurance Board Operating Fund (Fund 036)	Division of Consumer Protection (Fund 001)	Liquidator's Administrative Account (Fund 999)
Revenues	$	$	$
Taxes	15,039,577	954,881	
Licenses, Fees, and Permits	22,978,347		
Interest and Investment Income			2,825
Sales of Goods and Services	359,345		
Other Revenues	74,910		3
Total Revenues	38,452,179	954,881	2,828
Expenditures			
Current Operating:			
Salaries and Wages	25,781,838	89,704	
Unemployment Compensation Benefits	8,431		
Workers' Compensation Payments	29,949		
Retirement Contributions	1,815,308	6,279	
Group Insurance - State Contributions	1,376,751	3,912	
Social Security Matching Contributions	1,975,862	7,084	
Social Security Payments by State	1,004,100	4,621	
Professional Fees and Services	369,756	9,822	
Travel	1,853,964	8,078	3
Materials and Supplies	1,005,249	16,773	444
Communication and Utilities	857,883	2,832	
Repairs and Maintenance	504,492	2,875	
Rentals and Leases	1,928,432	18,104	
Printing and Reproduction	118,184	374	
Claims and Judgements	54,692		
Other Operating Expenditures	2,324,017	12,203	234
Total Current Operating Expenditures	41,008,908	182,661	681
Capital Outlay and Debt Service:			
Purchases of Fixed Assets	3,324,130	28,704	21,900
Debt Service - Interest on Capital Leases	45,349		
Total Capital Outlay and Debt Service	3,369,479	28,704	21,900
Total Expenditures	44,378,387	211,365	22,581
Excess (Deficit) of Revenues over Expenditures	(5,926,208)	743,516	(19,753)

Payroll Account (Fund 999)	General Expense Account (Fund 999)	Claims Clearing Account (Fund 999)	Totals - Year Ended August 31, 1988 (Exh. II)
$	$	$	$
			15,994,458
			22,978,347
11,250	10,275	23	24,373
			359,345
3,255,864	1,513,712		4,844,489
3,267,114	1,523,987	23	44,201,012
2,585,786	451,983		28,909,311
			8,431
	1,309		31,258
182,152			2,003,739
158,135			1,538,798
201,306			2,184,252
128,502			1,137,223
	91,484		471,062
	25,027		1,887,072
	36,292		1,058,758
	144,265		1,004,980
	49,257		556,624
	346,410		2,292,946
	24,812		143,370
			54,692
	344,293		2,680,747
3,255,881	1,515,132	0	45,963,263
			3,374,734
			45,349
--	--	--	3,420,083
3,255,881	1,515,132	--	49,383,346
11,233	8,855	23	(5,182,334)

STATE BOARD OF INSURANCE

EXHIBIT A-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS
Year Ended August 31, 1988
(UNAUDITED)

(Concluded)

	Insurance Board Operating Fund (Fund 036)	Division of Consumer Protection (Fund 001)	Liquidator's Administrative Account (Fund 999)
	$	$	$
Other Financing Sources (Uses)			
Operating Transfers In (Agency 454, Fund 999)			24,689
Operating Transfers Out (Agency 304, Fund 001)	(1,289,779)		
(Agency 303, Fund 001)	(589,569)		
(Agency 302, Fund 036)	(115,404)		
(Agency 454, Fund 999)			(939)
Liquidation of Liabilities for Expenditures Previously Recorded	(1,341,021)		
Establishment of Petty Cash Fund		500	
Increase in Travel Advance Fund	135,000		
Net Change in Consumable Inventories	10,173		(301)
Adjustments to Assets and Liabilities			3067
Total Other Financing Sources (Uses)	(3,190,600)	500	26,466
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(9,116,808)	744,016	6,713
Fund Balances - September 1, 1987	27,153,465	--	61,679
Fund Balances - August 31, 1988 (Exh. A-1)	18,036,657	744,016	68,392

The accompanying Notes to the Financial Statements are an integral part of this exhibit.

Payroll Account (Fund 999)	General Expense Account (Fund 999)	Claims Clearing Account (Fund 999)	Totals - Year Ended August 31, 1988 (Exh. II)
$	$	$	$
			24,689
			(1,289,779)
			(589,569)
			(115,404)
(12,325)	(10,162)	(56)	(23,532)
			(1,341,021)
			500
			135,000
			9,872
			3,067
(12,325)	(10,162)	(56)	(3,186,177)
(1,092)	(1,307)	(33)	(8,368,511)
1,434	43,018	35	27,259,631
342	41,711	2	18,891,120

Exhibit B-1 - Combining Balance Sheet - All Fiduciary Funds

STATE BOARD OF INSURANCE

EXHIBIT B-1
COMBINING BALANCE SHEET - ALL FIDUCIARY FUNDS
August 31, 1988
(UNAUDITED)

	Expendable Trust Funds		Agency Funds	
	Trustee Account (Fund 999)	Abandoned Property Fund (Fund 999)	Departmental Suspense Account (Fund 900)	Totals- August 31, 1988 (Exh. I)
ASSETS	$	$	$	$
Current Assets				
Cash in Banks	6,144	1,645		7,789
Cash in State Treasury			22,777,130	22,777,130
Short Term Investments	17,500			17,500
Interest and Dividends Receivables	30	7		37
Total Current Assets	23,674	1,652	22,777,130	22,802,456
Other Assets				
Loans and Contracts		1,210,413		1,210,413
Allowance for Collection (Note 11)		(1,210,413)		(1,210,413)
Total Other Assets	--	--	--	--
Total Assets	23,674	1,652	22,777,130	22,802,456
Liabilities and Fund Equity				
Current Liabilities				
Unallocated and Undistributed Receipts			22,777,130	22,777,130
Total Liabilities	--	--	22,777,130	22,777,130
Fund Equity				
Undesignated:				
Available for Subsequent Years	23,674	1,652	--	25,326
Total Fund Equity (Exh B-2)	23,674	1,652	--	25,326
Total Liabilities and Fund Equity	23,674	1,652	22,777,130	22,802,456

The Notes to the Financial Statements are an integral part of this exhibit.

Exhibit B-2 - Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Expendable Trust Funds

STATE BOARD OF INSURANCE

EXHIBIT B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - EXPENDABLE TRUST FUNDS
Year Ended August 31, 1988
(UNAUDITED)

	Trustee Account (Fund 999)	Abandoned Property Fund (Fund 999)	Totals - Year Ended August 31, 1988 (Exh. II)
	$	$	$
Revenues			
Interest and Investment Income	1,450	433	1,883
Other Revenues		175	175
Total Revenues	1,450	608	2,058
Other Financing (Uses)			
Operating Transfers Out (Agency 454, Fund 999)	(1,157)		(1,157)
Advances to Receiverships		(36,000)	(36,000)
Total Other Financing (Uses)	(1,157)	(36,000)	(37,157)
Excess (Deficit) of Revenues over Other Financing Uses	293	(35,392)	(35,099)
Fund Balances - Beginning of Year	23,381	37,044	60,425
Fund Balances - End of Year (Exh. B-1)	23,674	1,652	25,326

The Notes to the Financial Statements are an integral part of this exhibit.

Exhibit B-3 - Combining Statement of Changes in Assets and Liabilities - All Agency Funds

STATE BOARD OF INSURANCE

EXHIBIT B - 3

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS
Year Ended August 31, 1988
(UNAUDITED)

	Balances - September 1, 1987	Additions	Deductions	Balances - August 31, 1988
	$	$	$	$
DEPARTMENTAL SUSPENSE ACCOUNT				
Assets				
Cash	8,623,568	607,681,277	593,527,715	22,777,130
Liabilities				
Unallocated and Undistributed Receipts	8,623,568	607,681,277	593,527,715	22,777,130
U. S. SAVINGS BOND ACCOUNT				
Assets				
Cash	--	42,163	42,163	--
Liabilities				
Employees' Savings Bond Deposits	--	42,163	42,163	--
TOTALS - ALL AGENCY FUNDS				
Assets				
Cash	8,623,568	607,723,440	593,569,878	22,777,130
Liabilities				
Unallocated and Undistributed Receipts	8,623,568	607,681,277	593,527,715	22,777,130
Employees' Savings Bond Deposits	--	42,163	42,163	--
Total Liabilities	8,623,568	607,723,440	593,569,878	22,777,130

The Notes to the Financial Statements are an integral part of this exhibit.

Exhibit B-4 - Summary of Cash Additions and Deductions - All Agency Funds

EXHIBIT B-4

SUMMARY OF CASH ADDITIONS AND DEDUCTIONS -
ALL AGENCY FUNDS
Year Ended August 31, 1988
(UNAUDITED)

	Departmental Suspense Account (Fund 900)	U.S. Savings Bond Account (Fund 901)	Totals
	$	$	$
Additions:			
Suspense Account Deposits	607,681,277		607,681,277
Payroll Deductions		42,163	42,163
Total Additions	607,681,277	42,163	607,723,440
Deductions:			
Clearance to City -			
Sales Tax Trust Account	2,807		2,807
Mass Transit Authority Tax Trust Account	2,803		2,803
Clearance to State -			
Sales Tax Trust Account	16,170		16,170
Clearance to General Revenue Fund 001	554,056,929		554,056,929
Clearance to Insurance Board Operating Fund 036	38,802,203		38,802,203
Refunds to Remitters	220,304		220,304
Returned Checks	426,499		426,499
Purchase of Employees' Savings Bonds		42,163	42,163
Total Deductions	593,527,715	42,163	593,569,878

The Notes to the Financial Statements are an integral part of this exhibit.

ADDENDUM I - General Comments

1. The Board consists of three full-time members appointed by the Governor with the advice and consent of the Senate. Members serve six-year over-lapping terms. Following are the members at August 31, 1988, their expiration dates and annual salary rates:

Figure 93. Board Members: The Expiration Dates of their Terms of Office and Annual Salary Rates as of August 31, 1988

Name	Address (Texas)	Term Expires	Annual Salary Rate
Edwin J. Smith, Jr., Chairman	Austin	1-31-1993	$ 63,345
David H. Thornberry	Austin	1-31-1991	63,585(A)
James L. Nelson	Austin	1-31-1989	63,825(A)

Note A: Includes annual longevity payments.

2. The State Board of Insurance's main offices are located in these state office buildings:

Figure 94. Location of the State Board of Insurance's Main Offices

Location (Austin)	Square Feet	Maintenance Cost per Square Foot per Month
1110 San Jacinto	70,730	.46
211 East 11th	36,074	.46

A transfer of $589,569 to the State Purchasing and General Services Commission was made during the year for maintenance and operation of these two buildings.

The Board also rents space at various times and locations for conducting agents' license examinations. Space is leased for other uses throughout the State as shown in the summary below:

Figure 95. Summary of Leased Space

Location (Texas)	Use	Square Feet	Cost Per Square Foot Per Month	Annual Rent
Abilene	Fire Raters Ofc	190	$ 1.00	$ 2,280
Amarillo	Fire Raters Ofc	190	.73	1,662
Austin	Fire Marshal and Liquidation Ofc	19,593	.87	203,902
Austin	Warehouse	15,000	.20	9,000
Austin	Warehouse-Liquidation	32,000	.21	79,920
Austin	Warehouse-Liquidation	14,720	.03	5,400
Austin	Fire Marshal's Ofc	1,956	.42	6,892
Austin	Office Space	46,738	1.00	399,659
Austin	Office Space	206,028	1.00(A)	938,300
Bay City	Windstorm Office	3,250	.49	14,400
Beaumont	Windstorm Office	877	.93	7,335
Beaumont	Fire Raters Ofc	350	.65	2,730
Corpus Christi	Fire Raters Ofc	290	.84	2,809
Corpus Christi	Fire Marshal's Ofc	800	.96	5,236
Corpus Christi	Fire Marshal's Ofc	800	.74	2,952
Corpus Christi	Windstorm Office	2,407	.78	6,071
Corpus Christi	Windstorm Office	1,164	.90	6,286
College Station	Fire Raters Ofc	140	.71	1,200
Dallas	Fire Raters Ofc	720	1.00	8,701
Duncanville	Fire Marshal's Ofc	1,621	.93	11,399
El Paso	Fire Raters Ofc	180	1.12	2,421
Fort Worth	Fire Raters Ofc	559	.93	6,232
Galveston	Windstorm Office	1,995	1.00	8,000
Harlingen	Windstorm Office	578	.68	3,160
Harlingen	Fire Raters Ofc	320	.41	1,560
Houston	Fire Raters Ofc	977	.79	9,468
Houston	Examinations Ofc	700	.65	910
Lubbock	Fire Marshal's Ofc	800	.67	6,399
Lubbock	Fire Raters Ofc	400	.83	4,000
Lufkin	Fire Marshal's Ofc	800	.56	4,050
Midland	Fire Raters Ofc	350	1.25	5,250
Nacogdoches	Fire Marshal's Ofc	800	.72	1,728
San Angelo	Fire Raters Ofc	250	.47	1,404
San Antonio	Fire Raters Ofc	520	.90	5,616
San Antonio	Agents License Exam	2,200	.05	1,200
Sherman	Fire Raters Ofc	285	.85	2,907
Texarkana	Fire Raters Ofc	170	.88	1,800
Tyler	Fire Raters Ofc	500	.60	3,600
Victoria	Fire Raters Ofc	185	1.54	3,420
Waco	Fire Raters Ofc	450	.68	3,691
Wichita Falls	Fire Raters Ofc	150	.67	1,206
TOTALS		362,003	.75	1,794,156

(A) Cost per Sq Ft over Life of Lease

3. Board employees, Liquidation Activity employees, the Commissioner and Board members are bonded up to $10,000 each by a public employee blanket honesty bond issued by The Fidelity and Deposit Company. In accordance with Article 21.28, Section 12(a) of the Tex. Ins. Code, the Liquidator, James T. Odiorne, is required to be covered by a $10,000 public official bond. As a result of an oral order of the 200th District Court, Travis County, on August 9, 1978, the bond of the Liquidator was increased to $200,000 effective September 1, 1978. This bond is issued by the AETNA Casualty and Surety Company.

4. If the State Purchasing and General Services Commission, after considering all factors for a purchase requisition, takes exception to the justifications, it shall purchase the supplies, materials, services, or equipment as requested and report the reasons for its exceptions to the agency head or the chairman of the governing body, the State Auditor, the Legislative Budget Board, and the Governor. During the year ended August 31, 1988, the State Purchasing and General Services Commission issued two exception letters as follows:

Figure 96. Summary of Exception Letters: as of August 31, 1988

Vendor	Products Purchased	Amount
Veritcal Software Systems	Verticat System 50	$ 49,975
I.B.M.	Control units, multiplexers, & modems	290,280

5. During FY '88, the State Board of Insurance purchased the following vehicle:
   a. Make/Model - 1988 Chevrolet Pick-up
   b. Cost - $11,371
   c. Use - Delivery and moving
   d. Fuel efficiency rating - 15 mpg city/21 mpg hwy

Schedule 1 - Summary of Professional Fees and Services

STATE BOARD OF INSURANCE

SCHEDULE I

SUMMARY OF PROFESSIONAL FEES AND SERVICES
Year Ended August 31, 1988
(UNAUDITED)

Name	City
Arthur Anderson & Company	Houston
Austin Community College	Austin
Baskin, Flaherty, Elliott & Mannino, P.C.	Philadelphia, PA
Blazier, Rutland & Lerner	Austin
Donald G. Collins	Bertram
William Colville	Red Rock
Sylvia Dudney	Austin
Employees Assistance Center	Austin
Ernst & Whinney	Austin
Ernst & Whinney	Austin
Freytag, Perry, Laforce	Dallas
Fugit, Hubbard, & Hooley	Dallas
HK and Associates	Austin
Hopkins & Sutter	Chicago, IL
James Camillo Flanegan	Corpus Christi
Jon C. Ford	Austin
Milliman & Robertson, Inc.	Houston
Paul Andrew Hise	Austin
Morris Information Systems, Inc.	Houston
Peat Marwick	Austin
Price Waterhouse	Austin
Professional Data Management	Indianapolis, IN
S & F Consultants, Inc.	Austin
Seton Good Health School	Austin
State Auditor's Office	Austin
State Workers' Compensation Fund	Phoenix, AZ
Touche Ross	Hartford, CT
White, Dolce & Barr	Austin
John Woodward	Austin
Total Professional Fees and Services (Exh. II)	

Purpose	Amount
	$
Consulting Services	8,400
Education Services	3,231
Legal Services	21,011
Legal Services	1,160
Purchasing Consulting Services	6,420
Publication Designing Services	2,660
Consulting Services	150
Counseling Services	9,999
Auditing Services	33,965
Accounting Services	13,838
Legal Services	3,974
Legal Services	701
Computer Consulting Services	3,500
Legal Services	385
Engineering Training Services	39,000
Consulting Services	4,425
Actuarial Consulting Services	58,856
Architectural Services	3,432
Applications Programming	45,470
Auditing Services	12,920
Auditing Services	300
Consulting Services	3,080
Systems Programming	15,096
Cholesterol Screening	2,800
Auditing Services	76,492
Educational Services	931
Consulting Services	40,000
Architectural Services	5,625
Legal Services	53,240
	471,061

Schedule 2 - Summary of Revenues

STATE BOARD OF INSURANCE

SCHEDULE 2

SUMMARY OF REVENUES
Year Ended August 31, 1988
(UNAUDITED)

	Amount
Taxes	$
Fund 036 - Motor Vehicle Maintenance Tax	1,897,754
Fund 036 - Fire Maintenance Tax	5,674,868
Fund 036 - Workers' Compensation Maintenance Tax	2,321,131
Fund 036 - Casualty Maintenance Tax	2,607,737
Fund 036 - Title Maintenance Tax	199,989
Fund 036 - Life Maintenance Tax	1,622,717
Fund 036 - Third Party Administrator Maintenance Tax	94,131
Fund 036 - Health Maintenance Organization Maintenance Tax	621,250
Fund 001 - Workers Compensation Premium Tax - I.A.B.	8,064,307
Fund 001 - Premium Taxes (Sch. 2A)	423,678,539
Fund 001 - Surtax (Sch. 2A)	90,223,623
Fund 001 - Administrative Services Tax	30,061,496
Fund 001 - Consumer Protection Assessment	954,881
Fund 001 - State Sales Tax	16,170
Fund 961 - City Sales Tax	2,807
Fund 964 - City Mass Transit Tax	2,803
Total Taxes	568,044,203
License, Fees, and Permits	
Fund 001 - Penalty In Lieu of Suspension/Cancellation	262,829
Fund 001 - Unauthorized Insurance Penalty	29,000
Fund 036 - Catastrophic Pool Inspection Fees	52,955
Fund 036 - Domestic Filing Fees - Life	533,443
Fund 036 - Domestic Valuation Fees - Life	1,994,178
Fund 036 - Retaliatory Fees - Life	22,004
Fund 036 - Filing Fees - Property and Casualty	323,916
Fund 036 - Retaliatory Fees - Property and Casualty	47,423
Fund 036 - Filing Fees - Prepaid Legal Companies	2,902
Fund 036 - License and Exam Fees - Insurance Adjustors	236,813
Fund 036 - License and Exam Fees - Life and A & H Agents	4,075,678
Fund 036 - License and Exam Fees - Variable Annuity Agents	225,266
Fund 036 - License and Exam Fees - Life Insurance Counselors	1,087
Fund 036 - License Fees - Recording Agents	731,830
Fund 036 - License Fees - Solicitors	88,509
Fund 036 - License Fees - Nonresident Property and Casualty Agents	57,676
Fund 036 - License and Exam Fees - Surplus Lines Agents	11,046
Fund 036 - License Fees - Title Agents	24,008
Fund 036 - License Fees - Escrow Agents	113,293
Fund 036 - License Fees - Managing General Agents	16,410
Fund 036 - License and Exam Fees - Health Maintenance Organizations	55,587
Fund 036 - License and Exam Fees - Prepaid Legal Agents	132,381
Fund 036 - License and Exam Fees - Risk Managers	21,600
Fund 036 - Agents Certification and Clearance Letters	35,006
Fund 036 - Filing Fees - Third Party Administrators	428,578
Fund 036 - Filing Fees - Foreign Risk Retention & Purchasing Groups	1,125

STATE BOARD OF INSURANCE

SCHEDULE 2

SUMMARY OF REVENUES
Year Ended August 31, 1988
(UNAUDITED)

(Concluded)

	Amount
License, Fees, and Permits	
	$
Fund 036 - Examination Fees - Salaries and Travel Expense	1,966,098
Fund 036 - Examination Fees - Overhead Assessment	10,163,912
Fund 036 - Filing Fees - Policy Approval	656,472
Fund 036 - Filing Fees - Health Maintenance Organizations	120,294
Fund 036 - Filing Fees - Prepaid Legal	200
Fund 036 - Filing Fees - Insurance Premium Finance	107,638
Fund 036 - Examination and Audit Fees - Insurance Premium Finance	171,148
Fund 036 - Filing Fees - Continuing Care Facilities	872
Fund 036 - Amusement Ride Safety Inspections	18,300
Fund 036 - License Fees - Fireworks	97,529
Fund 036 - License and Exam Fees - Fire Extinguisher	107,174
Fund 036 - License and Exam Fees - Fire Alarm	169,753
Fund 036 - License and Exam Fees - Sprinkler Systems	166,243
Total Licenses, Fees, and Permits	23,270,176
Interest Income	
Fund 001 - Interest on Local Deposits	1,182
Total Interest Income	1,182
Sales of Goods and Services	
Fund 036 - Sale of Lists, Bulletins, Rating Data, etc.	204,484
Fund 036 - Sale of Computer Lists, Labels or Tapes	71,900
Fund 036 - Miscellaneous Other Sales	80,276
Fund 036 - Sale of Supplies and Services	2,685
Total Sales of Goods and Services	359,345
Other Revenues	
Fund 036 - Sale of Equipment	1,919
Fund 001 - Workers' Compensation Repayment	31,258
Fund 001 - Unemployment Benefit Repayment	8,431
Fund 001 - Warrants Voided By Statute of Limitations	35,973
Fund 001 - Other Miscellaneous Governmental Revenue	25
Fund 036 - Warrants Voided By Statute of Limitations	806
Fund 036 - Reimbursements - Third Party	72,184
Total Other Revenues	150,596
Total Revenues	591,825,502

Schedule 2A - Summary of Premium and Surtaxes Collected

Schedule 2A

SUMMARY OF PREMIUM AND SURTAXES COLLECTED
Year Ended August 31, 1988
(UNAUDITED)

Companies/Sources	Premium Tax Amount (Fund 001)	Surtax Amount (Fund 001)
	$	$
Occupation Tax, Penalty and Interest	473,629	
Domestic Life	13,920,359	2,601,165
Foreign Life	154,674,199	25,621,105
Foreign Life - Article 3.25	347,082	
Domestic Stock Fire	11,532	12,703
Foreign Stock Fire	10,357	1,961
Domestic Mutual Fire and/or Casualty	3,793,473	2,033,923
Foreign Mutual Fire and/or Casualty	31,823,887	9,633,741
Domestic Stock Fire and/or Casualty	18,556,584	9,025,349
Foreign Stock Fire and/or Casualty	100,007,092	29,410,939
Domestic Stock Casualty	78,893	36,587
Foreign Stock Casualty	4,083,345	988,297
Mexican Casualty	139,593	9,024
Domestic Lloyds	7,842,083	2,758,307
Foreign Lloyds	26,193	4,722
Domestic Reciprocals	1,897,892	1,145,485
Foreign Reciprocals	1,812,714	799,501
Domestic Title	1,537,101	606,929
Foreign Title	2,786,859	846,678
Mutual Assessment Life, Health and Accident	12,181	1,885
County Mutual Fire and Casualty	10,938,002	3,634,170
Surplus Lines Premium Tax	15,416,068	930,892
Retaliatory Tax	37,228,109	
Unauthorized Insurance Premium Tax	45,272	
Stipulated Premium	1,187,196	79,291
Nonprofit Corporations	4,545,408	
Domestic Health Maintenance Organizations	7,648,032	
Foreign Health Maintenance Organizations	748,744	
Domestic Retention Group	29,952	6,420
Foreign Retention Group	144,779	22,275
Purchasing Group-Insured By Surplus Lines	291	
Purchasing Group-Insured by Unauth. Ins.	3,890	195
Purchasing Group-Ins. Independently Procured	217	
Independently Procured Insurance	1,907,531	12,079
Total	423,678,539(A) (Sch. 2)	90,213,623(B) (Sch. 2)

Note A: This amount represents gross premium taxes and does not reflect any refunds processed by the Comptroller of Public Accounts.

Note B: This amount represents 1987 annual surtax payments and 1988 quarterly surtax prepayments collected.

Schedule 2B - Comparative Statement of Revenues

STATE BOARD OF INSURANCE

SCHEDULE 2B

COMPARATIVE STATEMENT OF REVENUES
1979-1988
(UNAUDITED)

Fiscal Year	Taxes Collected	License & Fees Collected	Other Revenues	Total
	$	$	$	$
1979	166,504,648	6,699,110	292,083	173,495,841
1980	176,117,116	9,272,428	236,897	185,626,441
1981	189,178,884	8,452,077	387,441	198,018,403
1982	204,015,832	9,817,775	378,127	214,211,734
1983	219,816,984	10,915,137	409,365	231,141,486
1984	363,666,816	12,920,157	503,863	377,090,836
1985	367,490,438	13,444,339	664,406	381,599,183
1986	412,021,788	15,472,796	504,000	427,998,583
1987	421,763,856	18,223,760	994,118	440,981,735
1988	568,044,203	23,270,176	511,123	591,825,502